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The Commonwealth in Transition

ON Wednesday last week began a conference of nine Commonwealth Prime Ministers whose discussions may well determine the future of the Commonwealth and in some measure the fate of world peace. The two are not entirely unrelated as may appear at first sight. Whenever there had been occasions in the past eleven years when peace hung in the balance, it will be found that a small factor which turned the scales against war has been the role of the Commonwealth, by and large, as a bastion of peace. To say this is not to imply

that the Commonwealth as such adopted any coherent or easily identifiable stand on any of the disputes which could have set the world ablaze. In fact it is this characteristic of the Commonwealth, which allows full freedom to its member-nations to pursue whatever foreign policy they may think best, that is its greatest attribute and a tribute to its underlying unity.

The unity of the Commonwealth is based not on geographical contiguity, identity of interests, race or religion, or even by common ties such as

the Crown used to provide until 1947, but by a certain similarity in ideals and outlook—a faith in democracy and personal freedom. This similarity, which has been generally growing in the last few years, has been the cementing force which has helped to hold together nine countries in spite of many diversities and the distances separating them. It is to be confessed that this community of outlook is now in jeopardy; the danger had been growing and, with the coming to power of the Nationalists in South Africa, and in particular after Mr. Strijdom's assumption of the Prime Ministership, it has been becoming evident that South Africa was an anachronism in an association of nations putting little faith in the superior race theory. It is likely that the present meeting at London may provide the opportunity for coming to grips with this problem. No doubt the final decision will be governed by the consideration that a Commonwealth of only white nations will be incapable of playing in world affairs the part which a multi-racial Commonwealth can. If the Commonwealth is to survive as a useful association, the course the members must take is clear and it hardly admits of procrastination.

The other great problem which confronts the nine Prime Ministers is the significance of the recent changes in the Soviet Union's, and Communism's, set-up. On a proper appreciation of these will depend the attitude of a considerable segment of the free world to the problems of peace—disarmament, the unification of Germany, and similar thorny problems. It is improbable that the Commonwealth as a whole will take a stand on any of the issues in dispute, for that has never been its practice. But the two statesmen—Sir Anthony Eden and Mr. Jawaharlal Nehru—who have had opportunities of meeting Soviet leaders after the Stalin myth was exploded, will give the others their evaluation of where the Soviet Union is heading with her new policies. Their views are certain to carry weight with the rest, though they may have their own reservations.

There are conflicting interpretations of what recent events in Moscow signify, but whether the climate becomes more or less favourable to peace depends on the strength with which opinions are held and how widely they are shared. Even those members of the Commonwealth who place no reliance on what Messrs. Khrushchev and Bulganin say may not be uninfluenced by what Mr. Nehru and Sir Anthony give as their interpretations; it is possible that they may abate in some measure their disbelief in the Kremlin's protestations. If there is a lessening of the desire to question every one of the Soviet Union's intentions, that itself will lead to a more congenial atmosphere for less misunderstanding and often deliberate misapprehension—provided, of course, the apostles of Communism are even a little sincere in their professions of peaceful co-existence.

But a greater willingness in the Commonwealth to credit the Soviet Union with peaceful intentions on the political plane will not by any means solve the problem of Communism. There will still be difficulty in convincing every important nation that there has been a sincere change of heart. Apart from this, the Commonwealth—and the Western world—will have to consider how best to counter the Soviet challenge on the economic front. There are signs that this problem is already engaging the attention of many statesmen. In particular the trade challenge may prove of prime importance to Britain and also to the Commonwealth from a broad angle. More, the

Soviet Union has also come forward with offer of aid for the development of underdeveloped nations on terms which the West cannot match. With her rate of increase of national income of over 10 per cent, compared to the USA's 4 per cent and Britain's 2½ per cent, the Soviet Union will turn into an increasing threat to Western economic supremacy. This by itself should not matter but for the possibility of the USSR using her resources to undermine democracy and extend the sway of Communism.

All these problems have been under discussion by nine statesmen in London for the last ten days. Even those among them who believe in Russia's sincerity will very probably recognise the disruption which democracy can suffer, in the absence of an awareness of its possibility, by long-range Soviet economic penetration. This is not to advocate an economic boycott, which will be short-sighted foolishness, but to infuse caution in entering into economic and political deals with the Soviet Union. Attempts can also be made to strengthen economic ties within the Commonwealth and to explore all possible avenues of co-operation. Already Mr. Macmillan has been holding talks with Mr. Nehru on this subject and it is quite on the cards that Britain, and other members capable of making the effort, will try to help the less developed members in their development plans. Indeed, one of the great binding factors in the Commonwealth has been trade; but, with the signing of the General Agreement on Tariffs and Trade, its importance is tending to wane. There is now a chance to compensate for it by greater co-operation in economic development, of which the Colombo Plan marks a positive beginning.

The London talks will, of course, cover a far wider ground than has been indicated here. Political problems in every part of the globe will figure in some way or other, in private discussion or in the conference proceedings—German, Cyprus, Viet Nam, and the protectorates in Africa. But whether a solution of any of these comes nearer or not, it is certain that the exchange of views on the more important subjects will lead to an easing of tensions and a greater aliveness to the dangers that surround freedom even when the clouds seem to be clearing. The more solid achievements may well be, in the economic sphere, in creating new ties when the old ones are slowly but steadily loosening and in the recognition of the changing character of the Commonwealth wrought by the evolution to independence of colonies such as Malaya, Gold Coast and the West Indies.

What conclusions the Commonwealth statesmen reach and how far they modify their attitudes as a result of exchange of views will not be known for some time, as the *communiqué* to be issued at the conclusion of the conference will not disclose those details. The Prime Ministers have to return to their countries and explain to their Cabinets what transpired at London, but even after that nothing immediate may be noticeable. In fact no decisions will actually be taken on any issue at London and all that is attempted may be a clarification of the views of each member on various topics of moment. That in itself may not amount to much in concrete terms, but such a get-together helps imperceptibly to alter the grooves along which traditional thinking has been proceeding. Commonwealth conferences promise nothing more, and need promise nothing more.

Import Policy

THE import policy for the current half-year which was announced last week-end sets the tone for the new pattern of import trade in the second Five-Year Plan. The direction of change in that pattern has been determined by the emphasis in the second Plan on the rapid development of industry and the special allocations of resources for laying the broad foundations of heavy and basic industries. The general scheme of imports must subserve the programmes of industrialisation in the next five years and with this end in view, import policy is proceeding on the basis of selective liberalisation in favour of capital and industrial goods and restrictions related to the changing behaviour of indigenous industry. Import policy has been liberalised or made conservative in its application to specific components on these principles.

Already structural changes in the import trade have started asserting themselves in the first Plan in a moderate degree after the extraordinary strain of food imports had eased and imports were relieved to take greater care of developmental requirements. Since 1953 imports have been rising at an annual rate of Rs. 30 crores and the rate would have been doubled during the year 1955 but for the saving of Rs. 30 crores on account of reduction in the overseas procurement of petroleum and petrol products consequent on home production at the oil refineries. But undoubtedly of more vital significance than this factor is the distinct change in the composition of imports. Between 1954 and 1955, the percentage share of consumer goods declined from 34 to 31 to augment the share of plant and machinery by 3 per cent to 16 per cent. Capital and industrial goods took between them as big a slice as 69 per cent of the total imports. This variation in the structure of imports can no longer proceed at a slow pace. Integration of import policy with the vigorous programmes of industrialisation makes it inevitable that liberalisation or restriction in import licensing, as the case may be, must be brought into reasonable alignment with the demand of industrial projects in terms of capital goods and raw materials or the expanding output of home industries.

The emphasis on machinery and spares covers the requirements of expansion as well as replacements and is in keeping with the rapidly changing pattern of imports. As against imports of Rs. 31 crores of capital goods in the first half of 1954 the total value of licences granted in the first five months of 1956 rose to Rs. 104 crores, while the disparity in respect of heavy electrical goods was as wide as Rs. 61 crores and Rs. 140 crores for the identical periods. The second Plan envisages the identical imports of machinery, including vehicles, of the order of Rs. 1,500 crores which gives an annual average of Rs. 300 crores. Since the volume of these imports must match the tempo of industrialisation, its rate must vary over the period and the assumption is that it will be high in the earlier years and taper off thereafter until it reaches the level of Rs. 250 crores in the final year. The first allocations in licensing provide for this objective.

Easily the most vital feature of import policy for the current half-year is the extensive scale on which liberalisation has proceeded. The seven lists of liberalised imports cover 82 important items. Chief among these are items for which import quotas have been increased, those in respect of

which the face value provisions have been liberalised or for which additional or *ad hoc* licences are to be issued and still others in respect of which the area of actual user licences has been enlarged. Apart from the stimulus which is intended to be imparted to domestic industry, the licensing policy aims at securing definite improvements directly or indirectly related to industrial expansion. A variety of goods like electric cooking ranges and crockery can be produced at home without serious difficulty, but liberal imports in respect of them are intended to encourage higher levels of consumption with the purpose of sustaining the expanding scale of indigenous industry. In another set of manufactures like dyes liberalisation is expected to act as a spur which has been deemed necessary in the light of slow progress at home. Import regulation is sometimes apt to be mistaken as a protective technique against competition. The new licensing policy offers a safeguard against a possible trend towards stagnation in qualitative progress. Certain types of vital machinery, agricultural implements, auto attachments and centrifugal pumping sets have been included in liberal licensing, contrary to the pace of home production, precisely to retain the competitive element and to keep indigenous industry abreast of modern developments.

Restrictions have been applied to 141 items through removal from the liberal licensing schedule or reduction in quotas or more stringent regulation as to face value terms. The range of these goods has been determined by three different considerations and also by the supreme need to economise expenditure of foreign exchange in the interest of the liberalised sector of imports. Where stability has been achieved in the growth of domestic industries like art silk and woollen fabrics or table fans the supply position remains unaffected by the stricter restrictions imposed. The necessity for narrowing the gap in the foreign exchange budget has made it obligatory to reduce the volume of imports of specified types of goods in respect of which ceilings on consumption are assumed to be imperative. Import restriction has relied on the strategy of creating a deliberate shortfall in supply, as in the case of refrigeration machinery and dairy products, to induce rapid expansion of indigenous industry. This tactic of relating restriction in imports to the potential rather than actual or probable production at home has been adversely commented, but the risk is worth taking since it helps to reduce the import surplus.

The gap that will be created in the foreign exchange budget must cause concern. During the first quarter of the current financial year there has been a great decline in our foreign assets of the order of Rs. 67 crores. The draft on balances held abroad has been very heavy, as high as Rs. 27 crores, reducing the total balances to Rs. 35 crores. This is a pointer to the trends in the second Plan. In future it would be necessary to make restrictions on imports of lesser priority more stringent than heretofore, because export promotion is likely only to mitigate the situation. The real solution is indicated in obtaining foreign capital or aid. It is good that the Finance Ministry through one of its senior officers is exploring the possibilities in this behalf in Western Europe. The report of the World Bank Mission which studied the Indian economy recently also appears to be favourable to this country.

Land Ceilings in Cold Storage?

WILL the imposition of ceiling on existing landholdings solve the problem of landless agriculturists on any appreciable scale? Obviously not. The Planning Commission itself, while recommending to the States to fix such ceilings, concedes that "redistribution of lands in excess of a ceiling may yield relatively limited results". This statement in the second Five-Year Plan, taken along with other relevant elements of the land reform policy, virtually gives away the case for land ceilings, notwithstanding Mr. Kaldor's views thereon which are easily refutable and have, in fact, been easily refuted already. Political expediency proposed, economic realism has nearly disposed. And thereby hangs a tale.

The Planning Commission's soft-pedalling on the issue of land ceilings in the four-year agrarian cold war is understandable. For, the latest figures bearing on the distribution pattern of landholdings in the country should have been a revelation to the planners themselves as they might well be to the public at large. Of about 160 million acres of irrigated and unirrigated lands under owner-cultivation in the States of Andhra, Bombay, Madhya Pradesh, Madras, Hyderabad, Madhya Bharat, Saurashtra, Ajmer, Bhopal, Kutch and Rajasthan (22 tehsils) just 17 per cent are held by owners in the uppermost bracket of above 60 acres. These owners, numbering just under three lakhs, constitute 1.5 per cent of all landowners in these States and their average holding is about 92 acres. Further some 30,000 owners have only 3.16 million acres of lands (irrigated and unirrigated together) under their personal cultivation in the States of Punjab, Mysore, Pepsu, Delhi, Himachal Pradesh, Vindhya Pradesh and Coorg, their average holding being 105 acres. Although figures in respect of the remaining States are not available, the distribution pattern of owner-cultivated holdings in them is not likely to be appreciably different from that in the listed States which have already completed their land census operations.

As for the tenant-cultivated holdings of landowners, they constitute not more than 15 per cent of all lands in the country, and the Commission's proposal for the demarcation of resumable and non-resumable areas might well reduce this figure by half. Even after taking into account the possible resumable area, the stark fact remains that a possible ceiling at 60 acres (broadly representing an average gross income of Rs. 4,800 at current levels of productivity and availability of irrigation facilities) would probably release not more than 20 million acres in the country for acquisition and distribution to the landless cultivators. If each cultivating family should be given a near-economic holding of 10 acres (of which a fifth is irrigated land), the number of possible beneficiaries would not be more than 2 million out of about 16 million landless agricultural families.

All this, however, is an optimistic estimate based on the assumption that the level of possible ceiling in different States would correspond to the provisional limit proposed in the draft second Plan and dropped from the final Plan. The Mysore Chief Minister's forthright criticism of the suggested level of ceiling in the National Development Council and the virtual shelving of the Bihar Land Ceilings Bill have, however, eloquently brought out the difficulties in the way

of getting the States to implement a policy of comparatively low land ceilings. When ultimately they come to brass tacks, the States are not likely to impose ceilings at a level lower than double of what the draft Plan originally recommended. In which case, there would be only negligible quantities of land available for redistribution.

The State Governments may well take the cue from the criteria enunciated by the Planning Commission itself for working out the sizes of maximum individual holdings in different regions. If the 'basic holding' (that is, the minimum area required for profitable cultivation) is to be at least 3-1/3 acres of irrigated land or 10 acres of unirrigated land, if the 'family holding' (that is, a work-unit for a family of average size working with such assistance as is customary in agricultural operations) is to be made up of three basic holdings and if the individual 'maximum holding' is to consist of three family holdings, the ceiling level would become 90 acres in terms of unirrigated land. The final Plan merely states that "in view of the fact that only a small fraction of agricultural holdings can be described as large holdings it will be convenient to place the ceiling at about three family holdings". This is obviously no categorical imperative, and it might be no surprise if the more significant States were to decide to pitch the ceilings on existing holdings at 50 acres of irrigated or 150 acres of unirrigated land. In which case, again, there would be practically very little excess lands available for redistribution. What is more, the proposed exemption, from the operation of possible ceilings, of plantations, orchards, specialised farms, sugarcane farms of sugar factories and efficiently managed farms with heavy capital investment, would further reduce the meagre surplus of lands. These exemptions, incidentally, testify more eloquently than any argument can to the distinct place that large holdings have in efficient and specialised or diversified agriculture where maximisation of production is the aim.

That robs the second Plan's ceiling proposal of all its significance. It does not have even the saving merit that it could now have any psychological effect on the landless poor after three or four years of political propaganda which has only led to a situation of exaggerated hopes, on the one side, and exaggerated fears, on the other. Vinoba Bhave's Bhodan mission, on the other hand, may be productive of better results if the threat of ceiling legislation is not there. For, which landowner would be more generous than he is now in parting with a part of his lands if he were to feel that he would be losing further through a possible statutory ceiling? Where, however, as in Bihar, the landowners have gifted away large amounts of land, their opposition to low statutory ceilings would naturally stiffen. Vinoba may well succeed where legislation can have virtually no success. If the land ceiling proposal should ever come to be put in cold storage and not continue to hinder the great effort of the frail man walking the dusty roads of the Indian countryside, the moral force generated by him will have been as much responsible for it as the planners' appreciation of social and economic realities. The decision of a recent conference of Ministers and principal officials of the U.P. Government against ceilings on existing holdings is also a pointer.

THE WEEK'S NOTES

THE NAGA PROBLEM

CONTINUED DISAFFECTION among the Naga tribesmen of Assam has called forth a vigorous and statesmanlike approach from the Union Home Minister towards what in all conscience is a delicate problem. It is indeed incomprehensible that the Nagas (or a section of them) in the Naga Hills district of Assam alone should indulge in terrorism while their kinsmen in the North-East Frontier Agency are keeping the peace. The demand for constituting the district into a separate State of less than 300,000 souls has been rightly rejected by Mr. G. B. Pant. Obviously the process of pacification could start only after the Nagas lay down their arms and return to peaceful participation in the affairs of a reorganised Naga Council. Meanwhile the tribesmen have been firmly told that adequate measures would be concerted by civil and military authorities to put down rebellion. By not handing over the troubled area to exclusive army control, the Home Minister has tempered his firmness by generosity. It remains to be seen whether his appeal will go home to the recalcitrant section and be justified by results.

The discontent of the Assam Nagas is probably due to their fear—justified or unjustified—that their culture and tradition might be severely discouraged. Official attempts at 'de-tribalisation' in the recent past and public agitation in favour of the Assamese language should have contributed to that fear. The Home Minister, therefore, has gone to great lengths to assure the Nagas that their self-development would not be jeopardised in any way and that they would be enabled to advance with the rest of the country in matters economic, industrial and educational. Although the Home Minister has not gone beyond this assurance, the Government of India may ultimately decide to merge the Naga Hills district in the North-East Frontier Agency, providing simultaneously for a degree of autonomy for the Nagas under Central administration. Of such an approach, however, there are currently no indications.

REALISM IN AGRICULTURAL TARGET

THE PLANNING Commission's revised proposal for bringing about by 1960-61 a 40 per cent increase, within the allocations made in the second Plan, over the 1955-56 level of agricultural output was manifestly too ambitious to merit serious consideration at the hands of State Agriculture Ministers who assembled at Mussoorie last week. The consensus of opinion at the conference was in favour of a modest 25 per cent increase which alone was considered feasible by the Union Ministry of Agriculture and which incidentally supports the calculations of 'The Eastern Economist'. The conference has however pointed out that raising the target from 18 per cent to 25 per cent would involve an additional outlay of Rs. 108 crores. Mr. G. L. Nanda, the Planning Minister, who did not flinch from his stand that an increase in output was possible without further allocation of resources, should have been a sad man at the end of it all. He, however, appeared to be agreeable to the idea of drawing upon the present allocation during the first three years. Under this arrangement the position could be reviewed at the end of the first three years and the required additional allocations made then. This was the one concrete result of the Mussoorie deliberations.

The conference did not also oblige the Planning Minister in the matter of his proposal for a reduction of 20 per cent in the level of prices of agricultural produce. Mr. Ajit Prasad Jain dismissed it as "a remedy worse than the disease"—the disease being inflation—on the ground that most of the medium and small farmers, who would not be able to increase their production by at least 20 per cent, would stand to lose

heavily by any such reduction of prices. Although the conference's resolution on price policy was rather vague, pleading as it did for "reasonable minimum prices for important agricultural commodities," the Planning Commission's proposal for a price reduction was, by implication, rejected.

URBAN UNEMPLOYMENT

THE RESULTS of a preliminary survey of urban unemployment conducted by the National Sample Survey towards the end of 1953 are now available, and they present a pretty dismal picture of the employment position. Based on the data collected from 23 towns (which did not include Bombay, Calcutta, Delhi and Madras) the survey shows that there are approximately 5 million persons either completely unemployed or grossly underemployed in India's towns. This constitutes an eighth of the population of working age. It is true that the sparse coverage of the survey in relation to the country's size places a serious limitation on the accuracy of the results, but they will be broadly representative of the magnitude of the problem to be tackled. A more serious qualification even on the limited applicability of the results is imposed by the delay in the analysis and publication of the data. It is likely that the character of the unemployment problem in 1956 is different from what it was in 1953, owing to the vast strides the country has taken in the last two years. It is, therefore, necessary to ensure that the task of analysis of raw data is done more expeditiously in future if the results of such surveys are not to assume a purely historical interest.

The facts disclosed by the survey, however, make interesting reading. It discloses that 53.85 per cent of the population belongs to the working age-group. Earners and earning dependants together constitute only one-third of the population. Among males earners are 45.28 per cent and earning dependants 8.41 per cent; the corresponding figures for females are 5.98 and 7.54. More than 60 per cent of persons belong to households with a monthly expenditure of not more than Rs. 100, and less than 6 per cent belong to families above the Rs. 300 limit. In the very low expenditure (up to Rs. 50) and high expenditure (above Rs. 500) households, for each earner there are only two dependants, whereas it is four for every earner in the middle (101-300) group. The incidence of unemployment is heaviest in the age-group 16-21, being above 20 per cent, and falls steeply in the subsequent group (22-26) to 8.76 per cent. Among the unemployed 21.56 per cent are illiterate and 60.23 per cent literate but below matric. The educated form 17.99 per cent, a much higher proportion among the unemployed than among the gainfully employed, indicating the magnitude of the problem of unemployment among the educated. The survey shows that 61.30 per cent of the unemployed have no technical or professional qualifications. Solving unemployment, therefore, is not just a question of providing opportunities for employment; the unemployed and those who are likely to enter the unemployed category have to be helped to acquire the qualifications for securing employment.

RETREAT ON MULTI-LINGUAL STATES

THE POLITICIAN in India—at any rate the Congress politician—has a remarkable instinct for expediency. As one living from one election to another he cannot possibly forget that the year of grace 1956 is the pre-election year. When the Amritsar Congress placed on record a resolution favouring the idea of bilingual and multi-lingual States, some at least in the South took it seriously and began to campaign for Dakshina Bharat covering Travancore-Cochin and Madras in the first instance and including Mysore in due course. This

campaign by a section of Congressmen has provoked a counter-campaign by the dominant section led by the Madras Chief Minister. Finding that there are strong elements in Madras opposed to the Congress as well as to the idea of Dakshina Pradesh, he has come out openly against it after a period of implied support to it. He must have realised, as Dr. B. C. Roy had to realise, that a merger move would cost the Congress dearly in terms of votes. Mr. Khandubhai Desai's recent advice to Congressmen in Madras not to indulge in any public controversy over the issue of Dakshina Pradesh was offered on the ground that the Amritsar resolution was no mandate but only an indication of the mind of the Party.

If the Amritsar Congress had a mind it was probably symbolised in the High Command. The High Command, of course, was understood to have favoured the merger of Bihar and West Bengal for imparting greater political and administrative stability to that strategic area. In the same way a possible merger of Travancore-Cochin and Madras would be advisable. What was thought of as politically expedient in February last has become politically inexpedient now for the Congress runs the risk of losing heavily in the coming elections if Congressmen attach any sanctity to the Amritsar resolution. If the High Command's mind has changed, it is in response to a general mood against forcing the pace towards mergers.

CRISIS OF COMMUNISM

WORLD COMMUNISM is now passing through an acute crisis following Khrushchev's scathing indictment of Stalin and Stalinism. The debunking of the demi-god who held sway for thirty years over the Communist faithful has landed them in a crisis of the spirit. And the Reds all the world over are patently in a quandary, for Khrushchev cannot claim to be the high-priest that Stalin was. A general retreat from Stalinism is obviously difficult without a re-examination of the basic tenets of Leninism which were no less responsible for Stalin's reign of terror than the late dictator's own ruthless personality. No wonder, therefore, that Signor Togliatti, boss of the Italian Communist Party, draws the lesson that "the Soviet model is no longer compulsory for the Communist parties outside the USSR". For Togliatti, the denunciation of Stalin's reign of terror is not an end in itself. Condemnation of the Stalinist super-structure should lead to a re-appraisal of its Leninist foundations. If Khrushchev, on the other hand, thinks that the Leninist foundations could be preserved and even reinforced, does he feign ignorance of the fact that Stalinist despotism was firmly rooted in Leninism itself?

Lenin's own writings bear ample testimony to the violence and terror implicit in the Bolshevik conception of 'social transformation'. The Leninist writ declared "it to be absurd for the revolutionary proletariat to renounce revolutionary wars that may prove necessary in the interests of socialism". If the power of the ruling class is to be overthrown by means of the class struggle, any peaceful change is ruled out, for "social pacifism is socialism in words and bourgeois pacifism in deeds". When Khrushchev, therefore, talks of the potentialities of parliamentary means for capturing power, the methods applied in Czechoslovakia eight years ago should come to one's mind. The illusive efficacy of parliamentary methods is probably advertised to undo the effects of that shock treatment that is the debunking of Stalin and to keep the Communists together.

POLAND'S FOOD RIOTS

THE FOOD riots in the Polish city of Poznan hold a lesson which deserves the closest examination. There

may be a tendency to dismiss them as the aftermath of the liberalisation which the new Kremlin oligarchy has set in motion. But that would be too facile an interpretation. There is no denying the fact that Poland's agricultural problem still defies solution in spite of the vast progress which co-operative farming and collectivisation are supposed to have made in the last few years. This is surprising because even before the war years Poland's agriculture was not in a parlous state and the country was an exporter of foodgrains. Collectivisation seems only to have taken the country backward instead of forward. Part of the explanation may lie in the territorial adjustments which the Soviet Union carried out for her own benefit during Stalin's regime, but that does not seem to have benefited Big Brother either as far as agricultural production is concerned. In passing, will the process of de-Stalinisation help Poland (and East Germany too) to go back to her former eastern frontiers?

The riots have been followed by several arrests. Familiar charges of saboteurs and foreign interference are being heard. In the ultimate analysis, however, the villains may be the faulty land policy and the USSR's demands on her satellite's resources without regard to the latter's requirements. If the liberalisation in Communist practices now under way brings in its train a change in these two matters, Poland may be out of the woods. It is necessary to recall that this is not the first time Poland has been having food riots, which shows that some radical step like the relaxation of the foreign stranglehold is needed to put Polish agriculture on its feet.

CHIANG TURNS DOWN CHOU'S OFFER

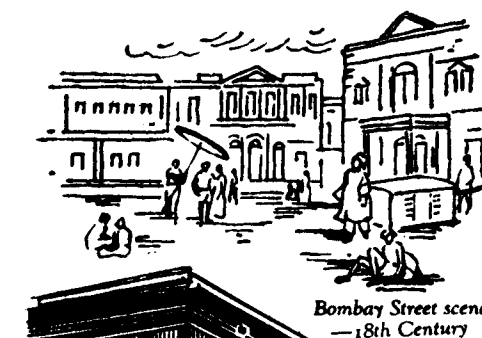
MR. CHOU EN-LAI'S invitation to the Chinese Nationalist Government in Taiwan (Formosa) to send a delegation to Peking for negotiating the island's 'peaceful liberation' has been rejected by Chiang Kai-shek. This was only to be expected, for what happened in the case of Tibet was intended to happen in the case of Formosa also. The position of the Kuomintang Government on the island is, however, ominously reminiscent of its plight on the Chinese mainland when the Civil War took a rapid turn in favour of the Reds in its closing years. The mass desertion of Kuomintang generals and soldiers on the promise of amnesty and land undermined Nationalist resistance all too suddenly with the result that Chiang's Government had to take refuge in Formosa and build up a new army from the remnants of the old.

To the soldiers of this new army Chou En-lai now holds out the prospect of return to the mainland. He even claims that "since he issued the slogan of striving to liberate Taiwan by peaceful means many Kuomintang military and political personnel in Taiwan and abroad have expressed their patriotic desires" and that this 'inexorable trend' will continue. Chou's appeal to the patriotic sense of the Nationalists is couched in such attractive terms that at least some of them may well try to 'escape the fate of a vagabond life in foreign lands'. The assurance that all Kuomintang military and political personnel on Taiwan could communicate with their relatives and friends on the mainland and also return there for short visits, should be as tempting to Chiang's men as it would be dangerous to Chiang's future. The pressure of relatives and friends on the one hand and the sight of economic progress on the mainland on the other are probably expected to weigh with the Kuomintang soldiers in the hoped-for mass desertions. If Chiang was unable to prevent them once, is that a valid reason for supposing that he may again fail to prevent them?

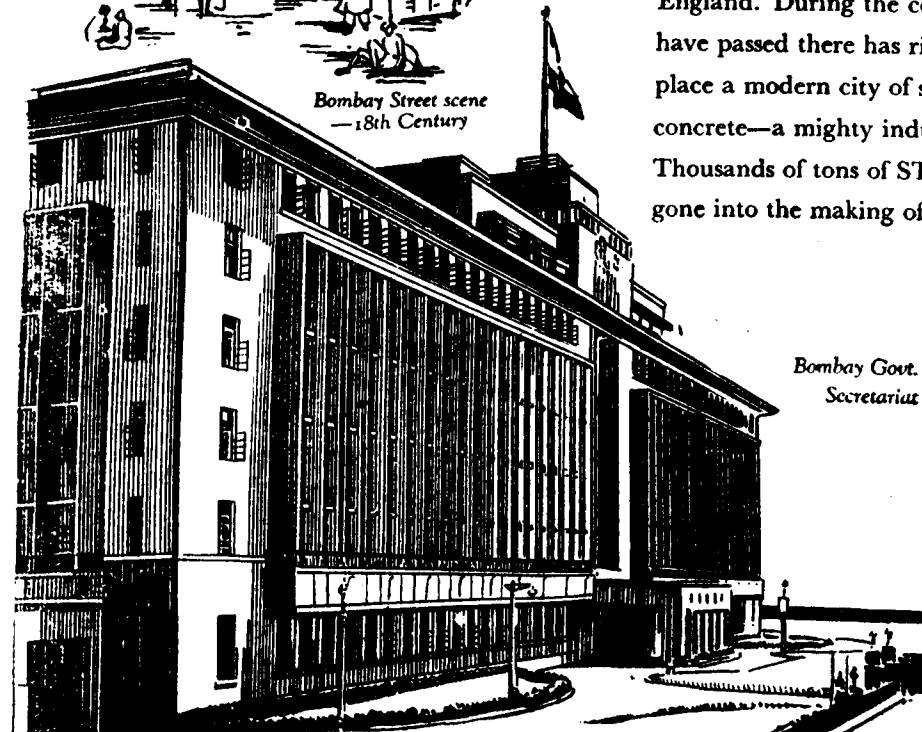
"Where now the city stands,
there was once naught but the city's site." OVID

Bombay

February 18, 1665. Only a small island of mud-flats and fishing villages, was what Humphry Cooke took over from the Portugese, as part of the marriage portion of the Infanta Catherine of Portugal for her husband, King Charles II of England. During the centuries that have passed there has risen in that place a modern city of steel and concrete—a mighty industrial centre. Thousands of tons of STEEL have gone into the making of this city.



Bombay Street scene
—18th Century



Bombay Govt.
Secretariat

Steel
For
Progress

INDIAN **IISCO** STEEL

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How banking serves the RUBBER INDUSTRY

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A Window on the World

MIDDLE CLASSES OF THE WORLD—UNITE!

By

ODYSSEUS

“WORKERS of the world—unite!” was the call with which Karl Marx awoke the echoes round the world in the nineteenth century. Today in Britain a group of influential Liberals has launched the Peoples League for the Defence of Freedom whose slogan might be “Middle classes of the world—unite!”.

The industrialised democracies of Europe—particularly France and Britain—are suffering from the tyranny of the trades unions and of the civil servants called upon to administer the ever more complicated machinery of government in states of Socialist pattern.

The Peoples League has gone out of its way to make it clear that it is not attacking trades unionism—the right to organise to secure good working conditions under threat of a strike if need be—but trades union tyranny which, in Britain at any rate, has become real and menacing—a major threat to national economic progress. The unions are above the law. They cannot be sued for civil tort. They are not responsible for any damage that their actions may cause. While there can be no objections to a union committee deciding that the interests of its members can best be promoted by one political party rather than by another, and inviting voluntary contributions to that party from each member, what is indefensible is the universal union practice in Britain of making the political contribution automatic and insisting that a worker who does not want to contribute to a particular party must come forward to identify himself and make his refusal in writing. This is a violation of the citizen's right to keep his politics to himself if he wishes to and to exercise his political choice by secret ballot only.

I have just returned from a tour of half a dozen of the biggest factories engaged in the gas, oil, and electrical engineering industries, where I had opportunities of talking alone and in private to a score of engineering apprentices. An outstanding characteristic of all these youths between the ages of 15 and 20 was their ambition to get on, to do well for themselves, to make something of their lives. I, therefore, felt the more depressed by the thought that when they leave their apprentice schools for the workshops it is precisely that ambition to distinguish themselves which their trades union comrades will be at particular pains to knock out of them.

HAUNTED BY A MEMORY

The British trades unions are haunted by the memory of the great depression of the 1930's. This makes them suspicious of all labour-saving tools or processes. Their suspicion is translated into a whole panoply of what are known as “restrictive practices”, which defeat, hinder, or slow down all attempts to raise productivity. It is an ironic thought that the workers see no connection between their restrictive practices and the rising cost of living and would repudiate any such suggestion as “capitalist propaganda.”

I came across innumerable examples of these restrictive practices on my tour. It is usual among progressive employers in Britain to offer bonuses to workers who suggest practicable ways of effecting economies. In one factory that I visited a worker had been awarded the equivalent of Rs. 650 for suggesting a process of handling his job which would eliminate certain steps.

When news of this reached the union they gave him a severe reprimand and a fine, pointing out that either (a) he ought to have kept the process to himself from the management and revealed it only to his mates so that they could earn more at piece rates without the management being aware that it was paying more money for a lesser effort, or (b) if that were not feasible, he ought to have told no one and contented himself with idling over his job since he could complete it more quickly.

In order to spread over-time among as many workers as possible, it is also a common practice for the unions to impose a strict limit to the number of hours of over-time that any one man may earn. But in certain types of work, e.g. in the erection of a specialised type of engine, it may not be possible to bring in workers from another section, so that if the specialised workers have used up their over-time quota for the week, the job has to be held over until the week following. This is one factor in the lengthening of British delivery dates.

Generally the men are willing and keen enough to work almost any over-time (for which, of course, they get special rates), but it is at their peril that they disobey the union. In one factory that I visited a shop steward (trades union official) and two men had readily agreed to work overtime on a rush job. But because the men went over their quota of over-time for the week they were hauled before the union committee, fined, and threatened with dismissal from the union if the offence were repeated. Such a dismissal has grave consequences for the worker since it renders it impossible for him to be employed in any “closed-shop” works and limits him to small companies which do not employ union labour and where conditions may be substantially less attractive than in the big unionised firms.

The Peoples League warns that its only hope of righting these and other wrongs and abuses is by recruiting a membership of millions so that it can negotiate with government departments, trades unions, and Parliament, from a position of strength comparable with that of the unions. It seeks, in other words, to mobilise the votes of all who feel themselves oppressed. It is at present too early to guess what ultimate success awaits the League but the initial response is reported to have been good.

TRADE UNIONS ABOVE THE LAW

The Peoples League publicises a long catalogue of events that have disturbed middle class public opinion in the recent past. It recalls, for example, the Crichton Down scandal (which, you may remember, I discussed here at length on October 29, 1954) in which a group of civil servants grossly persecuted a farmer who had the nerve to query their decisions about his property. Then there is the case of Mr. Durrant, a butcher, who sought to uphold his right himself to remove from Smithfield the meat that he bought. He was told that he could only employ the market's official porters. He appealed to the courts, which decided that any butcher could collect his own meat. Whereupon the porters warned the Smithfield wholesalers that if they supplied Mr. Durrant they would refuse to handle any meat and thus bring the whole market to a standstill.

As Mr. Tribe, the porters' leader, boasted, “Mr. Durrant said he would. The Judge said he could. We

said he couldn't. And he didn't!"—a naked case of a union defying the law with impunity.

The League lists a whole series of strikes to show the surprising extent to which production has been depressed by inter-union disputes. The League condemns this as the subordination of the national interest to selfish and sectional interests. The dispute between trades unions which earlier this year halted the publication of virtually all periodicals printed in London is the most notorious example of the penalisation of an industry and of the public by stoppages due to inter-union squabbles.

The League seeks to enrol those who are neither employers nor trades unionists. It points out that while the employers have their great federations which have the ear of Cabinet Ministers and the entry to Permanent Under Secretaries of State, and the masses have their unions which issue their ultimatums to Parliament, the middle classes have the ears of nobody, the entrance nowhere, and not a hope of saying "Boo" to a goose.

What, I may be asked, have we in India to do with all this?

It is true that our national income is not decreasing owing to restrictive trades unions practices coupled with repeated demands for wage increases, but with this exception it seems to me that there are many points of similarity between the weaknesses of democracy in the West and in India. Our taxation is penal for the middle classes and if we have not as yet been assailed by inflation on the British or French scales, the possibility looms before us. We have universal adult suffrage to encourage politicians to look solely to the masses and to ignore the middle classes as negligible. We have powerful trades unions which have been known on occasion to put wage rises and sectional interests before the increase in productivity which is all important for national survival. Not least we have, on the one hand, one of the most efficient bureaucracies in all Asia, on the other, a people who have only had the opportunity of asserting and practising their constitutional democratic rights within the last ten years and who have hardly acquired the habit as yet. All the elements of the situation which in Britain has provoked the creation of the Peoples League exist with us.

If any group of far-sighted and patriotic men start a Peoples League in India, I suggest that it is important that they should avoid an error towards which it seems to me that the British League is tending. The emphasis in the League publicity is on their fight against trades union tyranny and against the arrogance of bureaucracy. But it is never enough to be merely negatively against something in this world. Somebody who is only against something does not know where he is going and can be led anywhere. A negative programme is apt to attract a miscellaneous crowd of malcontents, sprinkled with cranks, and extremists of all sorts from the Right or the Left. Just as in the past my criticism of the anti-Communist organisations in India has been that they attract crypto-fascists and communal fanatics to their banner, so it may be with the British Peoples League unless it makes up its mind to stand first and above all positively for democracy and for the common rights of all citizens. The League's present "anti" emphasis will needlessly add to the antagonisms that it is bound to provoke. There are many bitter and frustrated trades unionists who would join it if its emphasis were on democratic rights rather than against union tyranny. I concede that the League proclaims that it is not anti-union but the distinction will only be perceived by the more thoughtful who study its literature. All anti-bodies end up as pro-totalitarians whether of the Right (Fascist) or the Left (Communist).

In the constructive promotion of democratic rights, the League will flourish. In the hope that it may, I wish it all success and put forward its example as worthy of consideration in India. Here the dangers to freedom spring less from Red Unionism than from Red Tape-ism and the urge to "Do goodism" by legislation (e.g. the prohibition laws).



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FRANCE ON THE TIGHTROPE

(From Our Special West European Correspondent)

PARIS, June 30.

EVERYONE knows that France's finances are an economist's nightmare. The external value of her currency and the internal state of her fiscal system both seem to be perpetually exposed to disastrous deterioration—the disease of chronic inflation seems to be France's normal state of health. But the interesting point is that the patient, while showing all the most flagrant symptoms of advanced illness, not only goes about his usual occupations but sustains burdens that would break many sounder constitutions. France has been at war continuously for almost a decade and, moreover, to date all her wars have been lost: thus she has shouldered immense military charges and at the end has seen her empire shrink, her markets contract, her economic privileges vanish. Yet withal she has not simply kept on her feet but has achieved a measure of economic and social progress that is truly astonishing. So as well as being the economist's nightmare, France should also be the economist's inspiration, for she has devised techniques of palliating inflation and methods of carrying through expansion under the most unstable and unfavourable of circumstances, methods and techniques which the conventional economist would have said couldn't work, supposing he had thought of them.

But France has made them work. An example concerns the international value of the franc: the problem here was how to avoid devaluing a grossly overvalued currency without correcting domestic inflation, but at the same time going along with the general move to freer international trade. A decade ago any respectable professor of economics would have said this was impossible. But French administrators, apparently without consciously intending to, invented the system of using the proceeds of heavy import taxes to pay lavish export subsidies, thereby obtaining the effects on foreign trade of a devaluation without any of its immediate inconveniences. Not that such an ingenious answer works smoothly or finally; it builds up new complexities and feathers beds for new vested interests. But it gives relief from the main illness long enough for one to think up something clever to do about the secondary complaints. Or, alternatively, it staves off the hour of decision while one waits and hopes for something to turn up.

So the heading of this article would be misleading if it suggested that France today suddenly finds herself on a tightrope—the fact is that she lives there. What I want to suggest is that the tightrope walker has shown signs of wobbling. In spite of the remarkable increases in production, saving and investment achieved in France last year, inflation today is assuming such threatening proportions that France is faced with the danger of grave economic stress. The sole and immediate cause of this situation is the war in Algeria. Since the beginning of this year several hundred thousand young men have been called from productive employment in a fully extended economy and sent over the Mediterranean to fight an extremely costly and inconclusive war. Meantime thousands of North Africans who were doing essential work in an under-populated France (particularly in building, agriculture and public works) have been recalled by the Algerian revolutionaries to their homeland. And at the same time, a Socialist Government has sought to mollify a following uneasy about another "colonial war" by granting longer paid holidays and

higher old-age pensions—which of course increase purchasing power while productive power is falling.

This has led the Economic Commission for Europe to send down from Geneva this warning to Paris: "The possibilities of material industrial expansion in France might be gravely countered by the increase in armed forces sent to service in Algeria and by the departure from the metropolitan country for a certain number of North African workers. The immigration of foreign workers (i.e. Italians) could to some extent extenuate the general shortage of manpower, but unless workers are conscripted according to some highly selective system, there are industries where the shortage of skilled manpower will undoubtedly become acute. At the same time, the increase in military expenditures, the plans for expansion and re-equipment of numerous industries and the effects of increases in wages last year, of the recent extension of paid holidays and of the rise in social security payments are all factors which threaten to add to the already keen pressure of demand".

Now from another Alpine height, Basle, the International Settlements Bank has sent down a sharper warning. The Bank points out that in all other West European countries, Governments this year have tried to put the brakes on the boom, especially by credit restriction. But in France, on the contrary, not only is the Government not using the brakes, but is following a policy that favours inflation. Not that the Bank is innocent enough to propose that the Bank of France set matters right by raising the discount rate, because it is obvious that where the main pressure of demand is coming from the Government's own operations (as for the Algerian war), a higher bank rate leaves the main motor of inflation unregulated. The Bank experts admit all the impressive achievements of the French economy during 1955 but dismiss them with the curt phrase: "Such a state of affairs is manifestly an exception"—i.e. it cannot last.

Their argument continues: "To neutralise the effect on prices of higher public spending, the French Government is giving businesses subsidies and tax reliefs. Thereby it increases its own deficit further and at the same time releases purchasing power that goes to swell demand. It is a vicious circle. To soak up this purchasing power and meet its deficit, it asks for new taxes on incomes and profits. It is not sure that these measures do not reinforce the tendency to higher prices, rather than weaken it. Finally, the Government is preparing to stem this flood with an elastic price freeze. It thus returns to direct controls which are being abandoned everywhere else". In short, the gloomy but accurate picture drawn up by the International Settlements Bank is this: while, everywhere else in the West, Governments are curbing credit expansion because of the fear of a sharp recession, in France alone, because of the Algerian war, inflation threatens to get out of hand. If a recession were to develop, it is plain what an awkward situation France would be in.

I do not know if the Algerian rebels include in their ranks any economists; to judge from their disgusting Mau-Mau methods of terrorism, they cannot include many men of any education. But they probably are capable of understanding the argument that to defeat France they do not have to score victories over the French Army; they have simply to divert so much

French productive energy to North Africa that an economic crisis supervenes at home. Indeed there is evidence from Cairo that this is precisely the fellaghas' calculation. Some recent admissions about the military prospects, made here in Paris, show that the calculation has a firm foundation. Whereas the Socialist Government began by promising "speedy" pacification in Algeria, and then "peace by the summer", and then "peace within six months", it now talks of "peace by the end of this year". And unofficial but quite plausible reports say that even if the pacification programme is successful, the French Army would have to be stationed in substantial numbers in Algeria for five years.

It appears then that, even on a fairly optimistic assessment, the economic burden that Algeria is imposing on France will have to be borne for some considerable time. It will require all the ingenuity and agility of French financial administrators to prevent the country falling into a serious crisis during that time, especially if a Socialist Government stays in office and continues to award increases in purchasing power of a sort not normally undertaken in time of war. France is on a tightrope and she has a long way to walk.

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A Letter to the Editor

'THE TEXTILE PLAN'

Sir,

Croesus is certainly right when he points out ('The Eastern Economist,' June 22, 1956, p. 979) that the current level of production in all the sectors of the cotton textile industry taken together is 6,847 million yards, i.e., 150 million yards more than 6,700 million yards as stated by Mr. Krishnamachari. But his further conclusion that "there would seem to be no balance of 150 million yards, to be allocated later" is not acceptable.

According to the second Five-Year Plan (page 11) the population in 1960-61 will be 408 millions, and not 400 millions, as is implied in the new policy. In other words, the size of the domestic market in 1960-61, on the basis of 18.5 yards per capita, will be 7,548 million yards (408 m. x 18.5 yards). The total increase in supplies required is thus still of the order of 1,700 million yards. Consequently, there is an un-allocated balance of 150 million yards.

Incidentally, Croesus bases his calculations of per capita availability in 1955 on an estimated population of 372 millions, probably relying on the official statistics as issued from the Textile Commissioner's office, wherein one also finds an identical figure. However, the Plan places the population in 1955-56 at 384 millions.

Yours faithfully,

S. D. MEHTA,

Economic Adviser,

Delhi Cloth Mills.

Delhi,
June 30, 1956.

WORLDGRAM

AGRICULTURE

Mechanizing Rice-Growing in Brunei: Cable traction has had its first full-scale trial as a means of mechanizing rice-growing in the swamplands of South-East Asia, and the representative of a British firm of consulting engineers reports that although the experimenters know they have not yet encountered all the difficulties, they are satisfied that they are proceeding on the right lines. Briefly, the system suggested by the Government of Brunei was for rice to be grown in plots 330 ft. wide, with strips of firmer soil on each side of the plots to carry tractors. The tractors, one on each side of the field, are to be fitted with winches to carry and control the traction cable, and with devices for lifting and turning implements, including ploughs, roller cultivators, transplanting machines, spraying equipment, and harvesting apparatus.

Jute Production in West Bengal: The Government of West Bengal has undertaken a programme of intensive cultivation of jute with a view to increasing its annual production by 8.25 lakh bales during the second Five-Year Plan period. The annual yield of the crop during the first Plan period was 14.96 lakh bales. The present acreage under jute cultivation will not be increased but the additional yield is expected to be increased by improvement methods of cultivation.

Study of Chinese Co-operatives: Mr. A. P. Jain, Union Minister for Food and Agriculture revealed recently that the Government of India had decided to send two teams, one of co-operators and another of planners and technicians, to study the organization and working of the co-operative societies of agricultural producers in China. One of the members of the teams would be Mr. M. V. Krishnappa, Union Deputy Food Minister, who would make a special study of fishermen, co-operative societies in China.

Himachal Pradesh Fruit Nurseries Bill: The President has given his assent to the Himachal Pradesh Fruit Nurseries Registration Bill, 1956. The Bill has been promoted to enable the Himachal Pradesh Government to exercise control over private nurseries so as to ensure that these nurseries produce and distribute only plants and grafts of good quality for sale and distribution.

INDUSTRY

Revolutionary Turbine-Powered Auto Being Tested in US: An automobile which may revolutionise the industry is being exhaustively tested in the United States. The car—a 1956 Plymouth—is powered by a revolutionary gas turbine engine that does not need a radiator, cooling system, carburettor, distributor or transmission. Outwardly, the gas turbine car looks like any other new Plymouth automobile.

Intensive Development Scheme for Village Industries: The co-ordinated programme for the development of village industries on an intensive basis, launched two years ago, will be extended to 15 more areas during the current financial year. Under the programme the over-all development of selected rural areas is undertaken with village industries as an integral part of their planned economy. On an average, each area covers about 30 to 40 villages with a total population of about 20,000. Development of 15 such areas was sanctioned in 1954-55 and 20 more were added in 1955-56. The Government

of India have sanctioned a grant of Rs. 13,64,000 and a loan of over Rs. 6,68,000 for the programme this year. The money will be given to co-operative societies, registered bodies and State statutory boards.

Packing Charges for Cement: On March 27, 1954, the Government of India announced that packing charges for cement would be fixed every quarter on the basis of the average of the maximum and minimum market price for packing material during each week of the immediately preceding nine months plus Rs. 1-4 per ton to cover incidental charges. On this basis, packing charges for the current quarter were fixed at Rs. 13-4 per ton. The packing charges for next quarter commencing from July 1, 1956, work out to Rs. 13-3 per ton. The Government of India have informed all the State Governments of the revised packing charges. The above packing charges are applicable to cement packed in new bags only. Packing charges for cement packed in old bags will be a matter for settlement between the buyer and the seller subject to the maximum indicated above.

Draft Standard for Hurricane Lanterns Approved: The third meeting of the Oil Burning Domestic Appliances Sectional Committee of the Indian Standards Institution held recently discussed two draft Indian standards for hurricane lanterns and for glass globes for hurricane lanterns and approved them for application as Indian standards. The standards for hurricane lanterns, among other things, cover dimensions and tolerances for replaceable parts, performance and safety requirements. The standard for glass globes for hurricane lanterns specifies the leading dimensions, tests for transparency of glass, etc.

Insulated Electric Cables: The Indian Standards Institution has published two more specifications in the series relating to insulated electric cables. One of these covers polyvinyl chloride insulated cables and cords (popularly known as PVC cables) for power and lighting and the other varnished cambric insulated cables for electricity supply. The Indian standard specification for rubber insulated cables and flexible cords for electric power and lighting (for working voltages up to and including 11 kv) has already been published and the Indian standard specification for rubber-insulated flexible trailing cables for mining purposes is nearing completion. The Indian standard for PVC cables covers the requirements for a variety of types of PVC insulated cables and flexible cords, both sheathed and unsheathed for use on working voltages up to and including 650 volts. Besides giving standard sizes, tolerances on sizes and over all dimensions, the specification includes requirements for conductors, insulation, sheathing and other constructional details. A number of tests, electrical as well as physical, including tests for the copper wire and physical properties of the PVC insulation, are given in the standard. One of the appendices is an extract from the International Standard on annealed high conductivity copper on which the properties of the copper wire have been based.

TRADE

India's Balance of Trade: As a result of the rising tempo of imports, India's overall visible balance of trade in merchandise and treasure during April disclosed an adverse balance of Rs. 19.78 crores compared with Rs. 11.47 crores in the corresponding month of the previous year. While value of exports, including re-exports, was practically unchanged at Rs. 39.76 crores,



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that of imports rose sharply from Rs. 51.36 crores in April 1955 to Rs. 59.54 crores during the month under review. Imports of all the principal commodities, with the exception of raw cotton and coal tar dyes, recorded a rise in April this year. A notable increase, however, took place in iron and steel from Rs. 1.28 crores to Rs. 5.11 crores and kerosine oil from Rs. 97 lakhs to Rs. 2.05 crores. Increase in export earnings from tea, tobacco manufactures and cashew nuts was neutralized by poor performance of jute manufactures, piecegoods and cotton.

Grey Cloth Exports to UK: The UK's imports of cotton grey cloth picked up in May, after steady falls in recent months, reached the best total since March last year. As usual, imports from India supplied more than half of the latest arrivals of foreign cloth. Cotton cloth imports during May totalled (in millions of square yards) 28.7 according to latest Board of Trade returns, compared to 22.7 in April and 27.8 in May last year. India supplied 15.2 against 11.1 and 13.9 respectively. Indian imports were largest since last August. Imports from Japan totalled (in millions of square yards) 3.9 against 2.7 in April and 5.3 in May last year and from Hong Kong 4.7 against 4.5 and 5 respectively.

Indo-Russian Trade: According to official figures Indo-Russia trade has expanded during the past few years. Total trade between the two countries during the year ended March 1956 was valued at Rs. 94,700,000 compared with Rs. 39,300,000 in the previous year. Goods worth Rs. 6,700,000 only were exchanged in 1953-54. The improvement in trade was mainly due to large imports which rose sharply from year under review. The value of exports also increased from Rs. 21,200,000 to Rs. 32,600,000. Despite this improvement, however, Russia's share in the foreign trade of India is insignificant amounting to less than one per cent. There are, however, signs of a rapid expansion of Indo-Russian trade, because in addition of supplying India with steel and capital goods on a large-scale, Russia is also showing interest in Indian tea, wool and jute manufactures.

Land Trade During May, 1956: According to the land-born trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during May are as follows. Exports to Eastern Pakistan Rs. 10 lakhs, exports to Western Pakistan Rs. 15 lakhs, exports to other countries Rs. 8 lakhs; imports from Eastern Pakistan Rs. 86 lakhs, imports from Western Pakistan Rs. 1 lakh, and imports from other countries Rs. 19 lakhs, total trade Rs. 139 lakhs. The total value of exports including re-exports fell short of imports by Rs. 73 lakhs.

FINANCE

Procurement Authorizations to Aid India: The US International Co-operation Administration has announced new authorizations totalling \$244,670 for the purchase of a wide variety of equipment for use in India. The authorization includes \$110,000 for the purchase of cast iron water pressure pipe, \$79,370, to be used to acquire machine tools, metal working machinery, electrical apparatus and other miscellaneous equipment for the Central Electronics Engineering Research Institute, and \$55,300 for machine tools, metal working machinery and other equipment for the Fuel Research Institute. All equipment and supplies will be procured by the Indian supply mission in Washington. The

authorizations are announced periodically and are part of assistance programmes negotiated between India and the United States.

World Bank Loan for Africa Hydro-Electric Scheme: Approval of the International Bank for Reconstruction and Development of a loan of £28,600,000, in various currencies, for the first stage of the Kariba hydro-electric power scheme in the Federation of Rhodesia and Nyasaland has been announced. Of this sum, £10,000,000 will be made available from the United Kingdom's paid-up subscription to the World Bank's capital. This is not only the Bank's largest loan in Africa, but the largest it has ever made for a single project. It will help to finance the building of a dam and power plant of 500,000 kW generating capacity at the Kariba gorge on the river Zambezi, and nearly 1,000 miles of transmission lines to the Copper Belt of Northern Rhodesia and principal Southern Rhodesian cities. The first stage of the scheme is expected to cost £80,000,000. Besides the World Bank's loan of £28,600,000 the Federal Power Board will finance the remainder through long-term borrowings in the United Kingdom and from the Government of the Federation.

More Central Aid for Khadi and Silk Industries: The Government of India have sanctioned further grants for the development of khadi and silk industries. The All-India Khadi and Village Industries Board has been given Rs. 35 lakhs. Five States, Jammu and Kashmir, Manipur, Madhya Bharat, Punjab, and Uttar Pradesh have been given grants totalling over Rs. 3,07,000 for the development of the silk industry. State of Jammu and Kashmir gets over Rs. 2,34,000 for the establishment of a sericultural research station in Srinagar. Manipur has been given Rs. 15,200 for the continuance of the scheme of the muga seed producing centre. Two grants, totalling Rs. 6,750 have been given to Madhya Bharat for providing two mobile pump-sets and for the expenditure on a study tour of sericulture staff outside the State. Punjab gets Rs. 5,000 for conducting experiments to obtain a second crop of univoltine races in the State and Uttar Pradesh Rs. 1,500 for implementing a scheme to arrange lectures for trainees in sericulture.

GENERAL

Air Parcel Postage Rates for UK: The rates of postage-cum-air fee for air parcels for Great Britain and Northern Ireland have been revised. The new rates are Rs. 10-4 for the first pound or part, thereof, and Rs. 2 for every subsequent four ounces or part thereof. The previous rates were Rs. 9-12 for the first pound or part thereof and Rs. 1-14 for every subsequent four ounces or part thereof. The rates have been revised following an increase in the charges payable to Great Britain.

Electricity Output: During February, 1956, 739 public electric supply undertakings in India produced 784.4 million kilowatt hours (kWh) of power, of which 622 million kWh were sold to ultimate customer. The output was 7.2 million kWh less than in January, 1956. Four generating undertakings at Parilakimedi in Orissa, Harishchandrapur in West Bengal, Nizamsagar in Hyderabad and Somwarpet in Coorg, and four purchasing undertakings at Balakati and Chandanpur in Orissa, Joynagar-Majilpur in West Bengal and Mahe in Pondicherry were the new additions during the month. The figures for power generation and sale for February, 1955, are 626.2 million kWh and 521.8 million kWh and for February, 1939, 187.7 million kWh and 159.4 million kWh respectively.

NEWS IN BRIEF

INDIAN

The Government of India have decided that export of castor oil will continue to be licensed freely as hitherto at all permissible destinations up to the end of December, 1956.

Cotton hard waste will continue to be licensed freely for export within an overall ceiling up to the end of December, 1956.

India is one of the most sparsely clothed countries in the world despite her cotton textile industry being the second largest in the world, next only to the USA. Statistics show that the consumption of cotton cloth in India is about 15 yards per head compared with 64 yards in the USA; 35 yards in the UK, 22 yards in Japan, 19 yards in Egypt and 17 yards in Iraq.

The Government of India have decided to treat export of filter cloth at par with other permissible varieties of mill-made cotton piecegoods.

It is reported orders for plant and equipment for the £25 million project for the expansion of the Tata Steel Works in India are being distributed among a number of countries.

To help women in the lower income group, a scheme has been evolved by the National Small Industries Corporation, set up by the Government of India. Under this scheme, a wide variety of domestic sewing machines are offered on a higher purchase basis. A beginning is being made in the Community Project Pilot areas.

Thailand and India have formally signed an air traffic agreement. The agreement only formalises an arrangement by which air traffic was going on between the two countries for some time now on a temporary basis.

A contract for 5,000 wheel sets worth £487,500 for Indian Railways has been secured for a British firm through the Indian Branch of the United Steel Companies.

Provision of basic civic amenities in West Bengal's Five-Year Plan has been initiated under a Rs. 2-crore scheme finalised by the Central Rehabilitation Ministry.

During 1955-56, 319 licenses were issued for the expansion of existing industries in India as against 226 in 1954-55.

In order to promote the brassware industry, an electro-planting plant costing Rs. 6,76,000 is proposed to be set up by the U.P. Government at Moradabad. The scheme forms part of the State's second Five-Year Plan, and a provision of Rs. 1,12,000 has been made in the Budget for the current financial year.

The International Bank for Reconstruction and Development has approved a \$75 million loan to the Tata Steel Co., of India to help finance a large expansion programme.

FOREIGN

The US Senate has approved a Bill authorizing the construction of an atom-powered merchant ship at an estimated cost of \$37 million.

The income for American families during 1955 set a new record high according to a US Commerce Department report. The national average income before federal taxes was \$5,520 in 1955, a three per cent increase over 1954. The average family income-tax paid by families in 1955 was \$540.

During March, 1956, Afghanistan imported goods worth Rs. 5,994,052 through Pakistan. The main item of import were building and engineering materials, hardware and cutlery, machinery and metal manufactures, mineral oils, paper and stationery, rubber manufactures, textiles and vehicles.

Tea growers in the Nyeri district of Kenya have subscribed £58,000 to build the Colony's first model tea factory. It is to open in September, and will be the focal point of a new industry in the area.

Crude oil production in Saudi Arabia during May amounted to 34.7 million barrels, an average of 1.12 million barrels per day. This compares with 31.6 million barrels during April, or an average of 1.05 million per day. Crude processed at the refinery was 7.2 million barrels, a daily average of 233,000 million barrels.

West Germany and Bulgaria have concluded an agreement permitting free traffic of German ships on the Danube in Bulgarian territory and of Bulgarian ships in German territory.

The International Co-operation Administration recently concluded a contract to provide construction designs and operational plans for a \$68 million dam in East Pakistan.

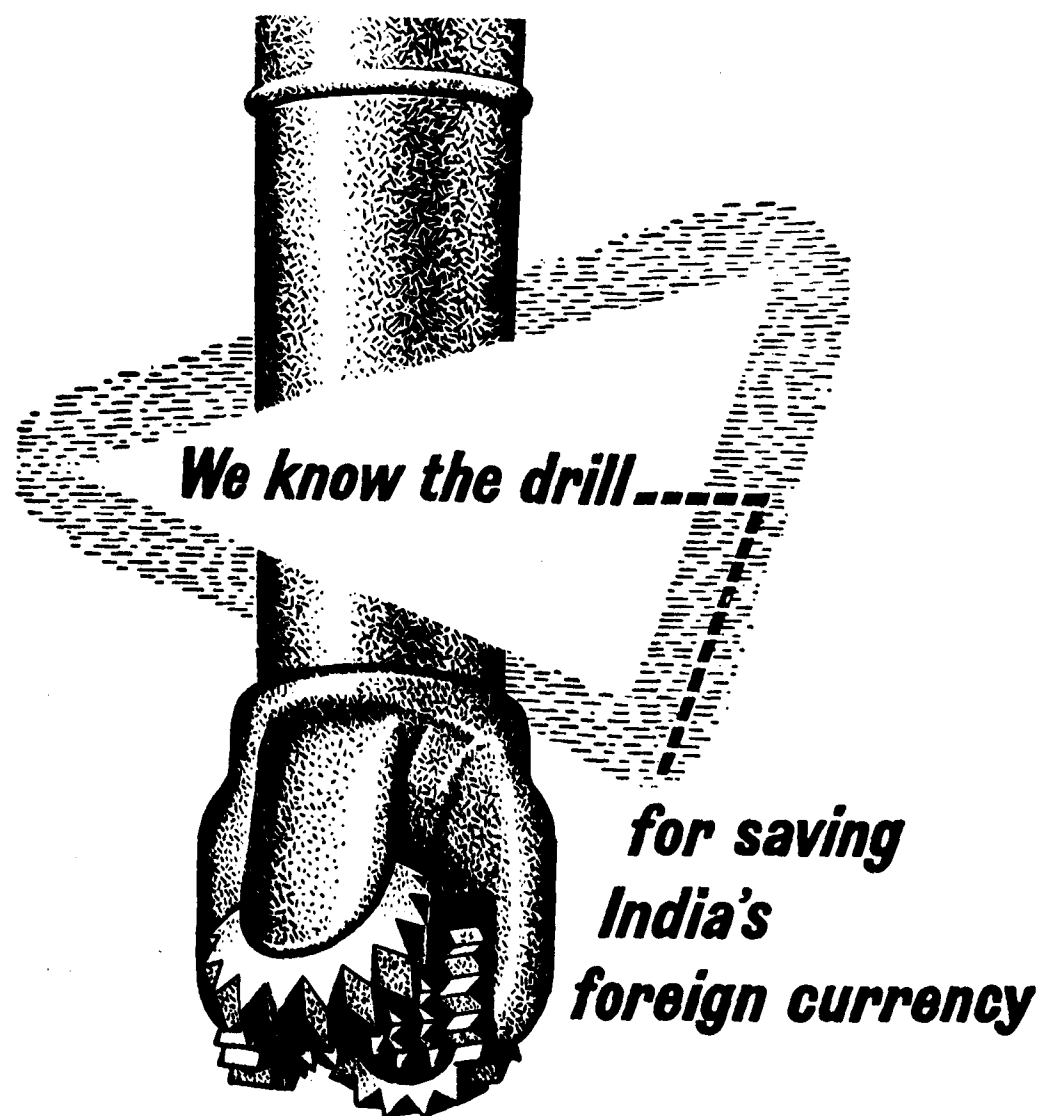
China is to give Cambodia economic aid worth 8 million under an agreement signed recently. There would be no repayment for the aid, which would be used by Cambodia to help develop the economy of the country and better the conditions of the people.

The Ceylon Ministry of Industries and Fisheries is working out details of a scheme to export salt. A Corporation with Government and private capital is likely to be established to produce and export salt.

A cost-of-living survey, planned with the assistance of International Labour Organisation, has been launched in Singapore. Collection of data on the way its 1,250,000 inhabitants spend their income began this month, and will continue for a year, in an effort to relate price information to consumption habits.

It is reported Bulgaria has become the 75th member state of the UN Educational, Scientific and Cultural Organization.

An aerial conveyor system which will solve the problem of transporting coal from mine to railroad over Korea's rocky ridges forms part of a programme of aid for privately-owned coal mines being carried out by the UN Korean Reconstruction Agency.



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Special Articles

IMPROVED BULLOCK-CART TRANSPORT

By

L. B. ROY

ACCORDING to the 1951 Census, India has 9.8 million bullock carts and 67.2 million working cattle and buffaloes. Statewise, Madras (undivided), U.P. and Madhya Pradesh each have more or less 1.5 million carts; the Punjab has the lowest number (3 lakhs). Generally these carts fall into two categories, (i) professional carts working as "public carriers" and (ii) farm carts which lie idle for the most part of the year.

Though correct figures are not available, it is estimated that about 8 or 9 lakh carts ply in towns and cities all the year round as "public carriers". An equal number are available in the villages for hire; but they do not work during the rainy season. The bulk of the carts—about 8 millions—belong to the farmers who use the carts for 2 or 3 months in a year to take manure to the field, to bring in firewood and such other stores home and to carry the harvest to the threshing floor, thence to the godown or to the local markets, and they have no more goods to carry.

Similarly, a majority of working cattle and buffaloes are engaged seasonally for tilling the land, for drawing water from the wells at some places. A very small number—about a million—work on the oil expellers and an equal number on cane crushers for six months in a year. So, for the better part of the year, this huge cattle power is without work.

It may sound out of date to talk of cattle power in these days of electricity and atomic energy. Machines have replaced draft animals in all the advanced countries of the world. Some feel that India should also do the same. Perhaps they forget that India has also 50 per cent of the world cattle population and—due to the particular religious sentiment—she cannot liquidate her non-milching cattle. As long as we have to depend on cows and buffaloes for milk, we shall have bullocks and male buffaloes. As they cannot be turned into beef, they must be fed and put to economic uses. So, we like it or not, bullocks and bullock carts are going to stay indefinitely and their services must be exploited to the best of our national interest. The Prime Minister has very appropriately said:

"In this connection may I say that a natural line of development for us in the development of transport is the improvement of bullock cart. We jump too much to the streamlined railways and automobiles which are necessary no doubt—I don't doubt that—forgetting that probably still, I don't know, what percentage of rail transport is used there and what is done by bullock cart. Therefore, we should improve the bullock cart; but by that I mean more especially rubber tyres to the bullock cart which would be really a far greater gain—looking at India's position as a whole—than your streamlined wagons and the like.... In China that is what they have done. They have tried to put on rubber tyres on the bullock carts or handcart. You immediately improve the efficiency of that thing by 100 to 200 per cent."

Slow speed and poor load capacity, resulting in high freight rates, are serious handicaps in greater utilisation of bullock carts. A two-wheeled bullock cart generally carries a pay-load of 30 mds. on metalled roads through a distance of 10 miles and return empty

in a day. However, on soft roads or farm tracks the load seldom exceeds 15 mds. and the distance covered is hardly 10 or 12 miles both ways.

An ordinary bullock cart costs Rs. 450 in urban areas. The average cost of a pair of bullocks is Rs. 700. Against this investment, the cart has a transport capacity of 300 maund-miles or 11 ton-miles per day. The operation cost being Rs. 7 per day, the freight charges come to 122.4 pies per ton-mile. The cost of operation of a 3½-ton petrol lorry—with 65 per cent load factor—comes to 118.8 pies per ton-mile. For a 6-ton diesel truck, and with same load factor, the cost is 65.6 pies per ton-mile. Naturally, customers prefer motor transport whenever available.

The bullock cart transport can become attractive only if it is cheaper than mechanised transport. People may forgo the advantage of speed in favour of cost, and the only way of reducing the freight is to increase the load capacity. However, there is a serious limitation in increasing the pay-load of an ordinary cart. Engineers have found that—on account of narrow iron tyres of the bullock cart—the stress on the road surface for a loaded cart varies from 800 to 1800 lbs. per sq. inch compared to 65 lbs. in the case of the heaviest truck. The damage caused to road surfaces by a single loaded cart, doing 4 miles a day, amounts to Rs. 225 per year. The 8 or 9 lakhs urban carts cause road damages worth Rs. 16 crores per annum. Any further increases in the pay-load will spoil the roads in geometrical proportion. Moreover, the tractive effort, i.e., the pull on the yoke is already too much, being 110 to 135 lbs. per gross ton load. Further increase in load will increase the tractive effort that will impair the health of the animals.

In order to increase the load capacity, the conventional bullock cart has to be improved so that the stress on the road and the tractive effort are not increased. A cart, fitted with pneumatic tyres, can satisfy all these conditions. An ordinary cart, having a load capacity of 30 mds., when fitted with pneumatic tyres, can carry 70 mds. and move 25 to 30 per cent faster; still the stress on the road will be 25 lbs. per square inch and the tractive effort 27 lbs. per gross ton. The operational cost remaining practically the same—rather less—the transport capacity will increase from 300 maund-miles to 900 maund-miles or 33 ton-miles per day. Accordingly, the freight cost will be reduced from 122.4 pies to 41 pies per ton-mile which is much less than the diesel truck rates. Moreover, this freight of 41 pies per ton-mile is based on 50 per cent load factor. With proper organisation and better co-ordination the load factor can be improved up to 75 or even 80 per cent. In that case, the rate will be further reduced to 30 pies per ton-mile or less. The average freight and incidental charges of the railways for long distance traffic is 25 pies per ton-mile.

Can Road Transport provide relief to Railways? Shri K. B. Mathur, Member (Transportation), Railway Board, has tried to prove that Road Transport is uneconomical. In the Indian Railways, Vol. 1 No. 1, he writes:

"If we are to employ a fleet of six-ton diesel lorries carrying, on an average, a full load one way

The Business World

REVISION OF COAL PRICES

By
CROESUS

I HAVE lately had occasion to discuss with certain colliery interests their problems. It all arose out of an explanation I casually sought of them for the continued easy trend in coal shares and my attempt to gauge their reactions to the recent Award of the All-India Industrial Tribunal (Colliery Disputes). Incidentally, I was interested in finding out whether these interests had appealed against the Award—the last date for this was June 26, 1956. After the correct line in regard to any further rise in wages in collieries that "The Eastern Economist" took as early as in August, 1955 (vide The Indian Coal Industry Blue Supplement dated August 26, 1955), my own belief was that the industry had done it already. Moreover, ever since the publication of the Award on May 26, 1956, the industry also had been emphasising that implementation of the Award would be wholly dependent on the immediate increase in the price of coal to set off the full impact of the Award, even if such an increase was on an interim basis pending the findings of the Coal Prices Revision Committee, which was appointed, be it noted, long before the publication of the Award. And the question relating to coal prices in the questionnaire issued by this Committee struck me almost as being a leading question, as witness its wordings thus: "Do you think that a general review of prices is called for at this stage? If so, do you consider that the present method of fixing prices is satisfactory and need not be altered?"

In these circumstances, there was reason for me to be surprised when these interests told me that it was the unanimous opinion of the representations of the industry, who had recently foregathered at New Delhi to consider this question, that an appeal against the Award, sustainable though it would be alike on the merits of the case and points of law, would not be in the best interests of the country. By doing so, I must add, the industry has proved in action the dictum laid down in the leading article "The Challenge in Coal" in "The Eastern Economist" Blue Supplement on "The Indian Coal Industry", that "there is more to every industry than producer and consumer". It must have been the industry's concern for industrial peace, on the eve of embarking on its responsible commitments to Government to produce an additional 10 million tons of coal annually by 1960-61 for fulfilling the second Five-Year Plan target, that prompted this decision. This I consider to be exemplary behaviour on the part of Free Enterprise.

It was quite disappointing to me, however, to learn from the same spokesmen of the coal industry that there was scant appreciation of this behaviour by way of an early, let alone immediate, decision in regard to an increase in coal prices. Whatever might have been the justification—there was none as far as one could see—for delaying the announcement of an increase in coal prices so far, including the plausible—"convenient" would be the better epithet—plea that labour must be given an opportunity to be heard again before an increase could be considered, there would appear to be none whatsoever now. Possibly the authorities who had underrated the effect of the Award on costs of coal production vis-a-vis the findings of the Coal Prices Revision Committee on this point are finding themselves in an embarrassing position to revise their earlier estimates and approach the powers-that-be again in regard to this matter, and hence the delay. But where issues of such

far-reaching importance to the whole economy are concerned, it is unnecessary to emphasise that the concerned authorities should not stand on false prestige and shirk action. I am mentioning all these so that the Union Production Minister may know the real state of affairs and cause prompt action to be taken on a vital issue such as this. In the final analysis, it will be he who would be answerable to Parliament on all these matters.

The case for a rise in coal prices is strong and accepted by all, so that it admits of no delay. Yet, it is surprising that the industry is not getting a fair deal. If only because of this, I make no apology to reproduce below a relevant extract from "The Eastern Economist" Blue Supplement on coal. Discussing the price of coal, this is what the Supplement said in August last:

"The price of coal has been the most stable among raw material prices in the Indian economy in post-war years because of the enforcement of a system of price control which has been quite effective. Outside the system of priorities applicable to the major consumers, there might have been occasionally a tendency to exploit temporary shortages due to lack of wagons, but, by and large, the pit-mouth prices for coal have remained fixed since 1947:

1939	Rs	3 9 0
1946	"	12 0 0
1947	"	14 9 0
1948	"	15 0 0
1949	"	15 0 0
1950	"	14 7 0
1951	"	14 11 0
1952	"	14 12 0
1953	"	14 12 0

"An increase of Rs. 3-1 per ton was granted in 1947 to coal companies after a scrutiny of their books after the Conciliation Board Award. In 1949, prices were cut as a measure for counteracting inflationary pressures, even though the industry was not relieved of the responsibility for food grain concessions. In the case of other industries, during the period, there have been increases in the cost of production which entitled them to higher prices even under price control not only to meet the higher costs but also to provide for higher depreciation allowances, as in the case of the iron and steel units. Some of the causes of higher costs were common to coal also and the Mines Act of 1952 imposed further burdens by higher overtime and bonus rates. It has been the coal companies' case that the average profit of Rs. 1-8 per ton, which was assumed when the price was increased in 1947, has rarely been realised. The companies have, however, remained in business only because of their other incomes from trading profits—such as through exports of coal and royalty receipts".

The position has greatly changed and it has changed to strengthen the case for an immediate increase in coal prices. The argument that, because coal is a basic commodity and an increase in its price affects the country's entire economic structure, Government cannot take a hasty decision has lost all relevance. Apart from the fact, which is accepted even by the All-India Industrial Tribunal (Colliery Disputes)—that the cost

of solid fuel (coal and coke) expressed as a percentage of the gross factory value of a representative range of Indian industries is no more than 1.96 per cent (vide the Census of the Indian Manufacturing Industries, Ministry of Commerce and Industry, 1952), the argument that coal is a basic industry ought to serve as an especial consideration for permitting an immediate increase in its prices.

It was computed by a Chairman of the Indian Mining Association nearly three years ago, I am told, that the total profits of the Indian coal industry—not the profits distributed to shareholders, be it noted—(calculated for a group of 51 coal companies) amounted to no more than 2½ per cent of the total working funds. This is hopelessly inadequate, in all conscience, in particular for a wasting asset with an uncertain future such as coal (in the private sector). It may not be sufficiently known to the authorities (or, even if known, not sufficiently appreciated by them) that it is only from profits that collieries could find money to finance the cost of new plant and equipment. And it may be added here that, since the Conciliation Board Award of 1947, prices of coal plant, machinery and stores have risen

anywhere from 50 to 200 per cent. Above all, here is perhaps an unique case where even the more important consumers of the commodity have not been slow to appreciate the imperative need and urgency of an increase in price. It is high time, therefore, that Government took note of all these factors and decided on an increase in coal prices.

Industrial tribunals seldom turn down workers' demand for wage increases, although they may not meet such demands in full for very good reasons. The award of the Colliery Disputes Tribunal has not been an exception, but it is significant that this Tribunal has, perhaps for the first time, stressed that a mere money increase in wages will not avail the workers much, unless it is also accompanied by the availability of more goods to purchase with that money. It would have been even more appropriate, had the Tribunal further emphasised that, now that wages have been raised, it behoves workers to reciprocate the higher wages by a gesture in the form of a correspondingly higher output. In a socialistic pattern of society such as our claims to be, workers must realise that, to the extent that they fail to do this, they are cheating the country.

A HOLLOW CASE OF NATIONALISATION

By
CROESUS

NATIONALISATION of life insurance is an accomplished fact and the views of Mr. A. D. Shroff, Chairman of the New India Assurance Co., Ltd., on the subject are already fully publicised, thanks to his forthright lecture in Bombay a few days after the nationalisation decision was announced, and yet why should Mr. Shroff persist in wanting "to put on record our considered views on the Government action"? This is more or less the reaction, at any rate in quarters which have welcomed nationalisation, to the "New India" Chairman's address at the last annual general meeting of the Company. This is unfortunately a fatal attitude and spells disaster to a new democracy such as ours, unless the tendency is effectively resisted. Anything that is bad is always bad and does not cease to be so even after it is a 'fait accompli', and one is entitled to criticise it until the wrong is righted. For are there not instances where things done most solemnly have been undone? Take, for instance, the nationalisation of the steel industry in the UK and its subsequent denationalisation. Although it might seem that this was done purely on party or political grounds, the fact is that there was every economic justification for reversing the original decision and the British people did not take long to be convinced that the country's prosperity could be best achieved by denationalising the steel industry. If an industry once nationalised could be denationalised in the UK, the same could happen in any other country, provided the case for such in the latter country also is equally strong. In saying this, I do not mean to suggest that insurance in India must be denationalised, although personally I am not averse to it. But the public must know that the reasons that Government have offered in justification of their decisions are only ostensible and not real. Again, there was no justification whatsoever for either Government spokesmen or some members of Parliament indulging in all manner of wild and sweeping condemnation of the entire life insurance industry in India, as they did, in their effort to bolster up an indefensible decision. Surely, having criticised the life insurance nationalisation decision and calling it "indefensible", Mr. Shroff could not afford to remain without telling the protagonists of nationalisation that the grounds on which they

have sought to justify their action are unsustainable. And he did this in such a masterly manner that, although most of it is "covered ground", I don't have to apologise for reproducing, for purposes of record here, copious extracts from his defence of the Life Insurance Industry in India, the achievements of which in recent years "will ever form a shining chapter in the history of Free Enterprise in India".

It is common knowledge that Government have sought to justify nationalisation of life insurance on the following five grounds, which Mr. Shroff did well to list for his reply:

- I. Insurance is basic to the economy and is a form of social service, which should be run by the State.
- II The State should enter this field to augment capital resources for the successful implementation of the second Five-Year Plan.
- III. Nationalisation will make for a reduction in the management expenditure of the Industry.
- IV. Existence of malpractices and cut-throat competition in the Industry.
- V. Concentration of economic and financial power in a few hands, which is not in consonance with a socialist pattern of society.

No one disputes that life insurance is basic to the economy and that it is a form of social service, but the snag comes in when the State claims, as the Government of India has done, that it alone is competent to handle life insurance. For, as Mr. Shroff observed, "in a number of countries, like the UK, Germany, Sweden, Norway, etc., very thorough investigations have led to the conclusion that it is neither desirable nor practicable to nationalise life assurance and that life assurance is best run through joint-stock and mutual companies effectively regulated and controlled

by the State". It must be noted here that, although Mr. Shroff has opposed State monopoly of life assurance, he has accepted the need for strict and effective regulation and control.

The second ground justifying nationalisation of life insurance is stated to be that it will augment the State's resources and even the contemplated extension of life assurance to the rural sector is stated to be in furtherance of this aim. While the argument that life insurance nationalisation will lead to the State's resources being augmented does not hold water—and this has been admitted even by official spokesmen—to say that the extension of the benefits of life assurance to the rural areas is required further to augment the resources is an admission that all talk of life assurance being a form of social service is only tall talk. Rather than rush to nationalise, Government could very well have urged "activation" and obtained better and more spectacular results. Indeed, Mr. Shroff opined that it would not have been difficult for Government to lay down a programme of future development of the industry and thereby "to rationalise, integrate and harness the industry to a new life business production of Rs. 1000 crores in a few years' time, without any strain on the higher talented executive resources of Government and without any uncalculated risks involved in their present venture". He even went so far as to indicate such a programme, embracing (i) allotment of annual targets to each individual life insurer; (ii) rigid control to establish integrity and sound competitive standards and effective rationalisation of costs, ensuring, at the same time, efficient and effective servicing; (iii) setting up Co-operative Training Institutions or Regional Centres for training agents, inspectors, etc. and (iv) a machinery for joint publicity campaign by all insurers to carry the message of Life Assurance to every nook and corner of the country. Those Government officials now in charge of nationalised insurance will at least do well to make a note of this four-fold programme.

I have yet to come across a more hollow argument than that advanced by the advocates of nationalisation of life insurance in regard to reduction in management expenditure. To curtail expenditure anywhere is difficult, but to do so in any Government department is almost impossible. Moreover, to reduce expenditure, there must exist some scope and Government, even with its brief experience of nationalised life insurance, must have found that there is barely any scope for reduction in expenditure; on the contrary, they would feel happy if they could manage with the prevailing level of expenditure of most life insurance companies. The desperate efforts of a Union Minister personally to persuade top executives in these companies to accept a cut in their emoluments no doubt do credit for the earnestness of the powers-that-be, but they also betray the lack, if not absence, of scope for much reduction in expenditure in this industry. It is true that expenses of Indian life insurers are high vis-a-vis those of life insurance companies in the UK and the USA, but the disparity can be explained; at the same time, it is not so glaring as Sir Chintaman Deshmukh sought to make out in Parliament. As Mr. Shroff explained, the Union Finance Minister was "singularly misinformed" about the factors which affect the costs position of Indian life insurance. High costs are natural to any country still in the early stages of establishment of its life insurance industry. Further, countries which are not only still in their early stages of establishment of this industry, but are also relatively poorer and underdeveloped like India suffer by comparison because of the disparity in the average sum assured per policy. The relevant

figure for advanced countries is at least 3 to 3½ times higher than that for India.

About malpractices in the life insurance business, it is unfortunate, again, as Mr. Shroff said, that Government should have "damned the entire enterprise". To tar everyone in any walk of life with the same brush is neither fair nor right. No one in the life insurance line in India has, to my knowledge, claimed that all had been well with the industry, nor are any of these insurers reported to have come in the way of Government putting down malpractices with a heavy hand. As the Swedish Royal Commission observed in its report in 1949 (quoted by Mr. Shroff), "in view of the predominantly social character of the industry as well as the huge financial resources that insurers command, there will always be a risk of malpractices" and it is up to the authorities, as occasion demands, to take adequate measures so that public confidence is not shaken. The Government of India were not wanting in powers to intervene and put down malpractices effectively, and, if, despite this, malpractices have persisted, they are themselves to blame, and their helplessness reminds one of the boy in the story who wanted to go up a hill but was only standing at the foot of the hill and gazing at the sky without ever trying to go up.

The argument about private insurers and concentration of economic power is a political cliché. If for argument's sake, one concedes, there is concentration of economic power as a result of life insurance being in private hands, is there any guarantee that the same danger will cease to exist when the State handles life business? If anything, the danger is greater in the latter case, because it will lead to a double concentration of power, political as well as economic, and it is not difficult to visualise the potential risks of such an unholy combination not only to life insurance but to the country's economy as a whole.

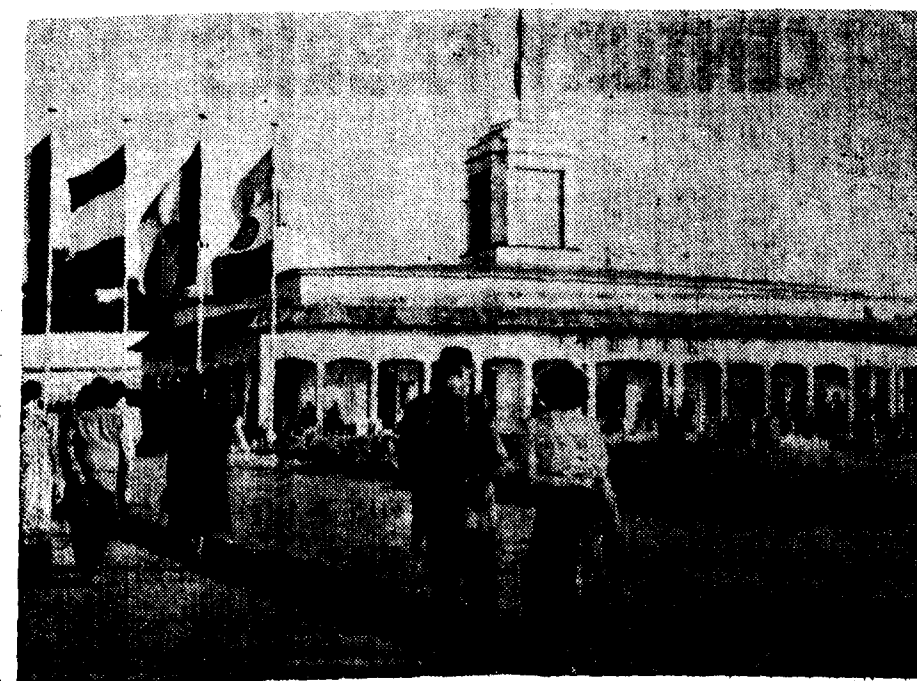
After thus dismissing the grounds put forward to justify nationalisation of life insurance, Mr. Shroff expressed himself in quite a forthright manner to point out what a State-owned Monopoly Corporation cannot do, but what private insurers can do by reason of their initiative, imagination, and experience. "Whatever its form", he felt convinced, "a Government-controlled administration cannot and will not show the freedom, flexibility, unorthodoxy and go-aheadness of a high degree, because these elements involve and imply balancing of gains and risks and because Government will take risks only of a limited kind and of a limited degree". From the point of view of insurers, according to Mr. Shroff, nationalisation will not make for more service nor for more financial gain. Finally, the "New India" Chairman took the strongest exception to the way in which nationalisation has been brought about. As he rightly declared, it is not in the best interests of this country that such a momentous step should have been taken by Government without taking the industry into confidence and consulting it. Far from bringing down the skies as apprehended by the Union Finance Minister, such consultations, as Mr. Shroff declared, "would have facilitated the evaluation of a scheme, to enable the country to fulfil all the national objectives—political, economic, and social—exposing the community to the minimum degree of risk of dislocation and disruption". I do not think that the loyalty of even the staunchest Congressman would have been impeached, had he voted for such a consummation. That this was not realised in time and nationalisation of life insurance not averted can only be described, in retrospect, as a national tragedy.

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BUSINESS NOTES

PLAIN TALK TO BUSINESS MEN

IT IS seldom that those in authority realise the effect of calling a spade a spade. Very often, instead of stating a blunt truth frankly and firmly, some official and non-official men of authority seem to succumb to the temptation of dressing up their thoughts with such decor and finish that not many are able to get at the truth behind their statements. But what the newly elected President of the East India Cotton Association, Mr. Madanmohan R. Ruia, said the other day to his cotton friends was in striking contrast to this usual routine. Sounding a forthright warning to them, he told them that, unless they respected the laws of the country and the National Government, they were sure to be "annihilated".

Mr. Ruia was replying to the address presented to him by the Cotton Merchants and Muccadums' Association, Bombay, on June 28, 1956. Referring to complaints received from many members of the East India Cotton Association, in respect of various controls imposed by Government, Mr. Ruia called upon them to change with the times and not "live behind times". "Do not think that the Government and the trade are opposite factors: they can live only with each other's help and co-operation", he exhorted. Alluding presumably to the general complaint about regimentation of the cotton trade, an issue which led to the resignation of the Grand Old Man of the Cotton Trade, Sir Purshotamdas Thakurdas, Mr. Ruia admitted: "If, in the past, the Government had come down heavily on us, let me say frankly, we have given them ample cause. The Government might have committed mistakes. But, before we criticise the Government, we must look at our own mistakes and lapses. Let me also tell you all, here and now, that, whenever the Government was convinced of their mistakes, they had always readily admitted and rectified them".

There have been few instances of such plain speaking in recent times, at any rate, on issues connected with cotton. Such a down-to-the-earth practical approach may not be palatable, but even its staunchest critics cannot deny that, more often than not, it is such an approach that yields quick and enduring results. Admission of one's failings is but the first step to reformation. Mr. Ruia is certain to have many supporters for his attitude.

INQUIRY INTO AUTOMOBILES

THE OPENING speech of Mr. K. R. Damle, Chairman, Tariff Commission, at the public enquiry into the determination of fair ex-works and selling prices of various types of motor vehicles manufactured in this country as well as into the progress of the approved manufacturing programmes of indigenous units has a different character from the usual speeches on such occasions. Estimates of current and probable trends in the near future relating to the subject-matter of inquiry do not find place in the speech for obvious reasons. This is a case where imponderables enter into the discussion. The progress of manufacturing programmes is a matter of great importance because Government's accepted policy rests on the ground that production should be confined only to the units which undertake commitments of manufacture as distinct from assembly. The continuance of assembly as such thus becomes only a matter of transition. How far programmes undertaken by each unit have been fulfilled is a subject which must be inquired into and settled by means of detailed investigations with individual units.

It is public knowledge for quite some time now that the progress of the domestic units has been retarded because prices have not moved with production costs. The request of manufacturers for increase in prices is

quite understandable. Three years ago when the current policy on automobile protection was announced the problem of this industry centred round the basic question of developing a minimum volume of demand in order to secure economical manufacture. Happily the situation is now easing as is borne out by the trends over the last three years in the sales of vehicles of type manufactured in this country. It is also a question to be considered to what extent demand will get a further boost by reason of the expansion of motor transport and the increase in national income in the second Plan. These factors are encouraging enough. But in the context of the switch-over which the six automobile units have to make to hundred per cent manufacture, the primary consideration will be the size of the minimum economical manufacturing unit and the absolute minimum demand essential to sustain the production of individual units at economical costs. The Chairman has underlined the importance of the fact that automobile manufacture is a complex and hazardous enterprise even in countries where it is well established and he has made reference to the difficulties under which the Indian units have to labour. The sum total these considerations would point to the necessity for an upward revision of automobile prices to enable the units to carry out their commitments of manufacture according to schedule.

INSURANCE CORPORATION'S SET-UP TO BE

A VIVID idea of the future set-up of the Life Insurance Corporation was provided by Mr. M. C. Shah, Union Minister for Revenue and Civil Expenditure, at a Press conference in Bombay. According to him, the Corporation would be set up by September at the latest. This means that the earlier hopes of the Corporation coming into existence by the beginning of this month have been belied, and it is feared that the Corporation may not start functioning even by September next. Be that as it may, when the new Corporation comes into being, we are told, there will be one Central unit with five zonal offices, one each in Bombay, Madras, Calcutta, Kanpur, and Delhi. These zonal offices would be under the charge of zonal managers assisted by advisory committees. The Corporation itself will have fifteen directors, including a part-time Chairman—to begin with—and this body, in its turn, will be assisted by an investment committee of seven members, of whom three would be experienced people in the financial world, that is, people with experience of investments. The five zonal officers would supervise the work of 28 divisional offices, which would more or less correspond to the existing head offices of insurance companies. With the expansion in business of the Corporation, it is proposed to increase this number, and also to create sub-divisional offices. Eventually, there would be branch offices in every district (or is it taluk?) of the country.

Under the new set-up, so far as the lower cadre of officials is concerned, that is, below the grade of superintendents, etc., there is to be no change. On the other hand, conditions of service, grades of pay, etc. for all these would be made uniform. But, in the case of the higher-ups in executive positions, there is likely to be a reduction in the total emoluments. During his recent visit to Bombay, Mr. Shah interviewed several such executives and presumably succeeded in prevailing upon them to accept reduced pay scales and work in their new posts with a spirit of dedication. Although the Union Minister for Revenue and Civil Expenditure characterised the nationalisation of life insurance as a momentous venture, he conceded that the persons in insurance companies whom he interviewed for employment in the new set-up were all brilliant men. Private enterprise can console itself that it has thus been able

to provide to nationalised insurance brilliant and experienced people.

KUNDAL PROJECT

IT HAS been a recurring complaint that, both in the first and in the second Plans, South India has been very much let down in the matter of the allocation of developmental expenditure, though the region (comprising Andhra, Madras, Mysore, and Kerala) has a population of about 100 million or over a fourth of India's total population concentrated in an area (250,000 sq. miles) which is about one-fifth of India. This region is essentially an agricultural area with a heavy man-land ratio of as much as 1,000 per sq. mile in some parts. Such an excessive pressure on land can only be relieved if the surplus man-power is drawn into industries, in which direction, unfortunately, there has not been much progress, except, perhaps, in Mysore.

One of the reasons for this lop-sided development is the lack of coal, which has to be brought at great cost from Bihar, although the recent proposal to sell coal at the same price (by resorting to a scheme of equalisation of freight) promises to improve the position somewhat. However, if the pilot project at Neiveli, which is still in the exploratory stage, should prove successful, it would go a long way towards meeting the fuel needs of the region. Though the South has been a pioneer and still leads the rest of the country in hydro-electric development, the fact remains that still it has not developed far enough to obviate the deficiencies in coal or other sources of fuel, as witness the periodic power cuts consequent on the failure of the monsoons. This is particularly unfortunate, since, in the absence of integrated power development, most of the water from the Western Ghats drains away into the Arabian Sea and is wasted.

The Kundah hydro-electric project, the foundation stone of which was laid by the Union Finance Minister recently, will be the largest in Madras State. The project, which envisages a total installed capacity, in the second Plan period, of 180,000 kw., will be located in the Nilgiris, and will utilise the waters of the Kundah river and also those of the neighbouring river basins. The State already ranks first in India in rural electrification, and it is expected that this and the Neiveli venture will change the picture by providing the State with ample electric power. Though the Kundah project will initially produce only 180,000 kw, as stated above, it is estimated to grow into one of the largest power schemes in the country along with the Honnemaradu project in Mysore, which is expected to be one of the largest single hydro-electric schemes in Asia. According to expert opinion, the Nilgiris area has immense power potentialities, and can be transformed into one of the largest integrated power development areas in the world.

KESORAM'S NEW ISSUE

THERE IS likely to be a good response from the public to the offer for subscription to new preference shares made by Kesoram Cotton Mills Ltd., on account of its attractive terms. The details of this issue have been widely publicised. The promising outlook for the project towards which the proceeds are to be utilised is a positive ground for inducing the subscriptions. The issue is for Rs. 1 crore and consists of 100,000, 5½ per cent tax free cumulative redeemable second preference shares of Rs. 100 each. Of these 50,000 shares have already been subscribed by the ordinary shareholders and the remaining 50,000 are now being offered to the public. The shares are to be redeemed at par on March 31, 1967. Prospective buyers have to pay Rs. 25 a share on application, Rs. 25 on allotment and Rs. 50 after March 31 next year on one month's notice from the Company. Applications must be for five shares or a multiple of five. The Company's present paid-up capital consists of 20,000, 7 per cent (tax free) cumulative preference shares of Rs. 100 each and 1,800,000

ordinary shares of Rs. 10 each. The new shares will rank for dividend and return of capital after the existing preference shares. The subscription list has opened on June 18 and applications are to reach the Company by July 21. The purpose of the present issue is to meet a part of the cost of the proposed 10 ton continuous filament Viscose rayon yarn project, in Moura Raghunathpur, near Calcutta (Hooghly district). Its cost of installation is estimated at Rs. 3.7 crores for which the Company proposes to raise Rs. 2.7 crores from its existing resources, bank loan, deferred payments etc.

OUTLOOK FOR GENERAL INSURANCE

THE PROBLEMS that the nationalisation of life insurance has raised for general insurance were outlined by Mr. K. C. Desai, Chairman of the Indian Insurance Companies' Association, at its annual meeting in Bombay. These are mainly problems of readjustment, since the majority of the Indian companies happen to be composite offices. The working of these offices, responsible for underwriting two-thirds of the total business, is rudely disturbed by the splitting up of what were admittedly complementary activities, conducted through common branches, agencies, and personnel. Since many insurers will be hard put to it to keep their management expenses within the prescribed limits, it should not occasion surprise if some of them at least are forced to close down branches or effect retrenchment otherwise. There are also fears of increasing competition between general insurers which would mean pushing up procurement costs to an uneconomic level and, perhaps, paving the way for adoption—though this is to be regretted—of questionable methods to circumvent the provisions of the Insurance Act. Moreover, inasmuch as, as a sequel to the nationalisation of life insurance, the Government also has acquired financial interests in a number of general insurance companies, and proposed to run three of these itself, there will be chances of unequal competition from this quarter.

Whether or not it has stemmed from nationalisation of life insurance, the latter has hastened the advent of a reinsurance corporation by the insurers themselves, an idea which had been mooted quite a while ago. The actual setting up of a Reinsurance Corporation has accordingly been welcomed by all the concerned interests. General insurance is more international in character than life insurance with immense variations in coverage to suit different types of risks as well as individual needs of the insured parties. The complexity of general insurance and the fact that the net premium income of Indian general insurance companies outside India is about Rs. 9 crores, as against Rs. 7 crores in India only, underlined the necessity of the early formation of a Reinsurance Corporation manned and managed by Indians. But the active formation now has meant crossing only the first hurdle. There is the continued uncertainty about taxation of profits arising from reinsurance contracts placed abroad, which has been causing unnecessary difficulties to insurance companies in this country. These arise when Income-tax Officers attempt to tax the profits earned by foreign offices under reinsurance arrangements with Indian companies, on the score that the local companies are the statutory agents of their reinsurers! That this is an untenable position is clear from the findings of the Taxation Enquiry Commission, which, be it said to its credit, has suggested that, in the interests of building up general insurance business in India, "the best policy would be not to apply the interpretation that a business connection arises in such transactions". For, taxation of reinsurance contracts, which are now, in the main, with foreign companies, will make these companies reluctant to accept reinsurance from India or, in the alternative, add the element of tax to the premium charged to Indian companies. It is needless to add that such a situation will hardly serve the cause of Indian insurers in the international market.

Company Meeting

THE NEW INDIA ASSURANCE CO., LTD.,

Mr. A. D. Shroff on the Expansion of the Public Sector

Addressing the Shareholders at the Annual General Meeting of the New India Assurance Co., Ltd., on 27th June, 1956, after the notice convening the meeting and Auditors' Report were read, the Chairman Mr. A. D. Shroff observed that though forces of peace were considerably strengthened last year, somehow, "the Geneva Spirit lingers no longer; and we co-exist in a stalemate!"

QUEST FOR PROSPERITY

In the economic field, this period was "Highlighted by a continued quest for prosperity", which resulted in considerable increases in world production, employment and incomes. The stresses and strains which followed the economic expansion were dealt with by the flexible use of monetary weapons. Some countries, however, particularly the U.K. and some primary producing countries, failed to benefit significantly from the general ebullience. He pointed out that in spite of the tremendous hardships and problems faced by countries in Asia, and a moderate rate of progress achieved, Asia was seized with a dynamic urge to make up for the accumulated neglects of the past. Turning to the Indian economic scene, Mr. Shroff observed that "the search for a socialist millennium, in official quarters, led to economic thinking which often appeared to lack clarity and vision." He acknowledged that there was some gratifying economic progress in the country; but in his opinion, the progress was hardly commensurate with the efforts made and our needs of today. He attributed the uneven progress in individual industries to the haphazard planning, and some of the success to the more favourable factors like favourable monsoons, etc. His conclusion was that if Government had devoted more attention and given high priority to the maximum utilisation of existing enterprises, and had actively helped the evolution of optimum units in them, the policy would have definitely paid rich dividends.

SECOND PLAN

Referring to the second Plan, Mr. Shroff stated that some important questions like credit-induced inflation and the possibility of achieving the physical targets have to be satisfactorily resolved. However, the most important question, in his opinion, was that of "preserving and safeguarding the fundamental human values" and the democratic way of life in the economic sphere. He made a constructive suggestion that the Government must develop techniques of effectively regulating and controlling both the Public and Private Sectors so that both of them could be harnessed to yield optimum results, and further, that sufficiently armed with effective machinery of regulation and control, Government must jettison all the doctrinaire and unrealistic approaches in their policies which are likely to handicap the effective mobilisation of national resources and effort. With such a control, it would not be necessary for Government to be obsessed with the ideas of transferring much of the economic activity to the Public Sector and squeeze the Private Sector out of existence. He further appealed to Government that in view of the all-embracing nature of the second Plan, whose different facets are closely interwoven, it is most

important that Government should, as far as possible, undertake calculated risks, even at some cost.

PROMOTING COTTAGE INDUSTRIES

In this connection, he referred to the Government policy to relegate the existing well-organised consumer goods industries to the background and not to avail of the optimum production which these industries are capable of obtaining at the minimum cost and effort, just because the Government wanted to encourage the "nascent" cottage industries to increase employment opportunities. He entirely agreed that all efforts should be made to promote cottage industries and increase employment opportunities. However, he felt that proper timing and dovetailing of the production programmes of the organised and cottage sectors of the Industry are most essential.

Suggesting that the State Trading Corporation is "a most serious encroachment on free and private enterprise", Mr. Shroff pointed out that Government could render a more positive and effective service by providing better transport and warehousing facilities, etc.

NATIONALISATION OF LIFE ASSURANCE

Mr. Shroff dealt with the argument justifying Nationalisation of Life Assurance. He said that although insurance is basic to the economy and a form of social service, it is not necessarily best run by the State. It is the experience in the democratic part of the world that Joint Stock and Mutual Companies effectively regulated and controlled are the best instrument for conducting this business. In his opinion, the well integrated Joint-Stock and Mutual Companies which had a creditable record during the recent years could have been harnessed to achieve a far better performance than what a Monopolistic Corporation aspires to do; albeit, it was most important for Government to regulate, rationalise and control the whole Industry.

Mr. Shroff referred to the alleged mal-practices in the Industry. In his opinion, the business must be run on the highest standards of management. Statutory control and regulation of the Indian Life Assurance Business had been for the past few years much on the same lines as in the U.S.A. Most of the troubles in the Industry arose because the enforcement of the Insurance Law was most unimaginative, tardy and loose. He related how physical security of investment could have been most easily ensured. He also referred to the case of a Company, the knowledge of whose mismanagement was known to Government for a number of years. In his opinion, the Department concerned hopelessly failed in establishing regulations and controls of the most elementary kind. Referring to the concentration of economic power, Mr. Shroff pointed out that, concentration of power would be far greater in the case of a Monopolistic Corporation than in the case of a number of units operating independently.

In conclusion, Mr. Shroff felt that the best interests of this country cannot be served by Government in

taking such a momentous step fraught with so many pitfalls and uncalculated risks, without taking the Industry into their confidence and consulting it to the fullest extent possible.

Commenting on the formula for determining compensation, Mr. Shroff said that the formula was so framed as to arrive at a compensation which was nearer to expropriation than what could be deemed fair compensation.

NEW INDIA'S OPERATIONS DURING 1955

Reviewing the results of New India's operations during 1955, Mr. Shroff observed that the total premium income of the General Department was a little short of Rs. 5 crores. The underwriting profit, inclusive of interest, was Rs. 43.9 lakhs as against Rs. 34.1 lakhs in 1954. There was considerable improvement in the working of all the departments and the Funds at the end of the year stood at Rs. 6 crores 89 lakhs as against Rs. 6 crores 39 lakhs at the beginning of the year.

Concluding, Mr. Shroff hoped that the shareholders have welcomed the decision of the Directors to capitalise, subject to the sanction of the Government, Premium on Shares Account by issue of one bonus share per every three shares held.

SHAREHOLDERS VIEWS

Mr. P. N. Mehta, a shareholder urged that the malpractices in General Insurance should be curbed, or else General Insurance may also be nationalised. He asked why certain expenses of Management and outstanding premiums had gone up. He and Mr. Engineer referred to certain appointments of officers and stated that they were not satisfactory. Mr. Dhirajlal Maganlal, Mr. Bharucha, Mr. Davar and Mr. G. M. Shah were sorry that Government had nationalised Life Business which was becoming prosperous and felt that the proposed compensation was unfair. Mr. Guzdar, Mr. Engineer and Mr. Davar congratulated the Chairman on his Speech and asked several questions regarding the Company's operations. Mr. P. D. Shamdasani congratulated the Chairman on the excellent results and recommended increase in dividends. Mr. G. M. Shah suggested that the Chairman's Speech should be furnished in advance to the shareholders and desired that the Company should not take up Foreign Life Business. Mr. J. P. Khatri recommended that expenses of management should be reduced. Mr. Padamsee Morarjee made certain suggestions with regard to the presentation of accounts. Mr. Wadia raised certain points with regard to the old and new Companies Act and the Registers to be maintained thereunder and recommended that the Minutes of every Meeting should be fair. Several of the above speakers recommended that instead of issuing Bonus shares, the Company should increase the paid-up value of shares. With regard to the Compensation payable for Life Business, they reiterated that it was not fair. Some of the above shareholders, and Mr. Paymaster and Mr. R. S. Sethna desired a Committee of Directors and Shareholders, should be appointed to go into the points raised by some shareholders. The remuneration of the Managing Director was discussed by some shareholders.

The Chairman, Mr. A. D. Shroff answered all the queries in a satisfactory manner and stated that the matter of reducing uncalled liability on shares was being considered. He had no hesitation in saying that the Dividend of Rs. 2-8 would be maintained on increased Capital.

The Directors' Report and Accounts were adopted; Mr. B. C. Mehta, Mr. J. D. Choksi, Mr. Dinsha K. Daji, and Mr. B. K. Shah were elected Directors of the Company; Messrs. A. F. Ferguson & Co., and Messrs. S. B. Billimoria & Co., were appointed Auditors.

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COMPANY AFFAIRS

MCLEOD GROUP OF JUTE COS.

Of the five jute mills, (i) the Alexandra, (ii) the Chitavalsah, (iii) the Empire, (iv) the Kelvin and (v) the Waverley, the working results for the half-year ended December, 1955, show that the profits of the first have sharply gone down from Rs. 1,69,981 in the previous half-year to Rs. 71,584; of the second also the profits have declined from Rs. 3,77,433 to Rs. 3,08,065; the third and fourth show marginal increases from Rs. 1,44,136 to Rs. 1,44,300 and Rs. 3,17,041 to Rs. 4,00,495 respectively; and the last one shows the disappointing deficit of Rs. 1,25,638 as against a profit of Rs. 1,30,329 during the previous half-year.

In accordance with the working time agreements of the Indian Jute Mills Association, the mills worked with 12½ per cent of total looms sealed. Since the close

	(i) Alexandra	(ii) Chitavalsah	(iii) Empire	(iv) Kelvin	(v) Waverley
				(In Rupees)	
Sales (Gunny)	56,97,793	77,82,889	44,89,097	71,89,126	51,49,423
Salaries, Wages, etc.	52,14,455	61,49,819	41,75,428	64,06,868	45,14,545
Taxation	—	2,50,000	32,000	1,30,000	—
Depreciation	50,100	76,400	65,200	1,66,400	20,250
Dividends; per cent per annum:					
Ordinary Shares	10	12½	10	15	(An. 1 per share for the ½ year)
Preference Shares	7	7	7	7	10

SHREE GOPAL PAPER MILLS, LTD.

During the half-year ended December, 1955, the Company made a gross profit of Rs. 27,22,060. After providing for depreciation, managing agents' remuneration, etc., the accounts show a profit of Rs. 20,89,821 as against a higher figure of Rs. 22,21,614 in the previous half-year. Provision for income-tax has been made at Rs. 9.50 lakhs and Rs. 96,695 have been allocated to development rebate. Including Rs. 1,81,437 brought forward, there is an available balance of Rs. 12,24,563. A sum of Rs. 30,000 is absorbed in paying dividend on preference shares at 8 per cent per annum, for the half-year. A 12½ per cent per annum dividend on ordinary shares for the half-year absorbs another Rs. 7,83,360. The Directors have transferred to general reserve Rs. 2.50 lakhs, leaving Rs. 1,61,203 to be carried forward.

The production of paper during the half-year was slightly higher at roughly 6,895 tons compared to 6,880 tons during the previous half-year. The Company has launched a modernisation and expansion programme and has made some headway in this regard.

The hydrogenated oil factory worked at a reduced capacity, producing 1,666 tons of Vanaspati during the half-year under report as against 2,439 tons during the previous half-year. Sales were satisfactory in that the Company sold all that it produced during the period under review.

BRIDGE & ROOF CO. (INDIA), LTD.

The Company had a successful half-year ending December, 1955. The profit for the period, after providing for debenture interest, depreciation and taxation amounted to Rs. 3,25,556. Together with the balance of Rs. 1,15,741 brought forward, it totalled Rs. 4,41,297. Out of this sum, the Directors have set aside Rs. 2 lakhs to general reserve. From the balance of Rs. 2,41,297, the Directors have recommended payment of dividend at 15 per cent per annum, which absorbs Rs. 90,000. The balance of Rs. 1,51,297 is proposed to be

of the period under review, a total of 7½ per cent looms were unsealed leaving only 5 per cent sealed. The IJMA has, however, again decided to reseat 2½ per cent of total looms in view of the fact that for some time the stocks have again been piling up and the market trend abroad is discouraging.

The Third Tribunal Award came into effect on November 6 last, which granted an increase of roughly Rs. 3-12 per worker per month. The working costs of mills have been reckoned to have gone up by about Rs. 12 per ton. Raw jute prices maintained a level at which manufactured goods could not be sold at a profit though the demand was steady throughout the period under review. The competitive position of the jute mills was thus adversely affected during a period of difficult trading conditions. The accounts of the five Companies are tabulated below:

carried forward. The Directors have felt that a substantial allocation to reserve was necessary in preference to any increase in dividend, in view of the need to add to the Company's plant and finance stocks and work in progress.

THE INDIAN GALVANISING CO., LTD.

For its working during the year 1955, the Company earned a net profit of Rs. 4,79,903 after providing for depreciation (Rs. 3,12,983) and taxation (Rs. 66,708) and deducting items relating to previous years. Adding the balance of Rs. 22,770 brought forward, the amount available totals Rs. 5,02,673. The Directors have set aside Rs. 75,000 for general reserve which leaves Rs. 4,27,673 for distribution. A 6 per cent dividend on preference shares (subject to Indian income-tax) absorbs Rs. 16,947. On ordinary shares, a 10 per cent, tax-free, dividend has been recommended which takes Rs. 3,69,459, leaving a balance of Rs. 41,267 to be carried forward.

The Directors have attributed the year's improved results to the increased production of the drum and metal window shops of the Calcutta works. The Bombay drum plant also worked satisfactorily. The production of steel windows and doors showed a considerable increase, but was below the level necessary to meet the orders obtained during the latter half of the year.

THE BENGAL FLOUR MILLS CO., LTD.

The profit of the Company for the half-year ended December, 1955, (including items relating to previous years) after providing Rs. 69,977 for depreciation and Rs. 95,722 for taxation amounts to Rs. 94,455. An amount of Rs. 1 lakh has been transferred from the equalisation of dividend account, and together with Rs. 72,375 brought forward, the sum totals Rs. 2,64,830. General reserve has been allocated Rs. 1 lakh, leaving a balance of Rs. 1,66,830. The dividend on 1.20 lakh shares at 15 per cent per annum absorbs Rs. 90,000 and the balance of Rs. 76,830 has been carried forward.

COMMODITY NEWS AND NOTES

TARGETS FOR COTTON

The Government of India, in consultation with the Indian Central Cotton Committee, are understood to have set an annual production target of 5,586,000 bales of raw cotton for the period 1956-61. The target of cotton production for the first Five-Year Plan was 4,270,000 bales although this was exceeded in 1954. According to the present programme, the Indian Central Cotton Committee will spend a sum of Rs. 6,000,000 in cotton extension schemes in the next five years to achieve the increased production target. By 1961, it is expected that 20,416,000 acres of land will be under cotton in the country. The Bombay region will have a cotton acreage of 4,500,000 with an estimated production of 1,250,000 bales, Madhya Pradesh is allotted 3,750,000 acres with a production of 630,000 bales. Hyderabad will have 3,500,000 acres under cotton with an annual production of 557,000 bales. Madhya Bharat is allotted 1,700,000 acres with a production of 380,000 bales and Saurashtra 1,300,000 acres with a production of 210,000 bales. Other States are allotted lesser acreage.

COFFEE PRODUCTION IN 1955-56

Mr. K. Srinivasan, Chairman, Coffee Board told the Board meeting recently, the 1955-56 crop has outstripped the previous record of 1953-54. Mr. Srinivasan said receipts into the pool so far were 33,172 tons and it was possible that receipts might be further improved to some extent. The revised estimate was originally placed at 30,000 tons. The next year's prospects seem to be equally optimistic for all accounts— as far as one could see now, and the very rough preliminary estimate is round about 33,000 tons. The total receipt of cherry coffee into the pool as on May 31 was 5,030 tons, which represented only about 23 per cent of the total arabica coffee delivered into the pool. The total offtake in the internal market each month since January, 1956, has ranged from 1,700 tons to 1,900 tons at an average of about 1,825 tons, the monthly sales through the various channels being 1,300 to 1,600 tons in pool sales, 160 to 250 tons in local sales, 75 to 160 tons through co-operative societies and 70 to 130 tons through propaganda department.

FINAL ALL-INDIA ESTIMATE OF TUR

According to the Directorate of Economics and Statistics, the all-India final estimate of tur, 1955-56, puts the current year's area and production at 5,757,000 acres and 1,814,000 tons as against the partially revised estimate of 5,944,000 acres and 1,688,000 tons for the last year. Thus, the current year's estimate shows a decrease of 187,000 acres or 3.1 per cent in production over last year. The decrease in acreage has mainly occurred in Bihar, Bombay, Uttar Pradesh and Madhya Bharat and has been attributed to unfavourable climatic conditions at the time of sowing. This decrease in area has been offset to some extent by increases registered mainly in Andhra, Hyderabad and Mysore. The estimates of production in the case of Madhya Pradesh, U.P. and West Bengal are based on the results of random sample crop cutting surveys.

SUGAR PRODUCTION IN INDIA

Sugar production in India during the month of May was 1,32,958 tons bringing the total production during seven months of the current season to 17,83,956 against 15,69,000 tons during the corresponding period last season, according to figures released by the Indian Sugar

Mills Association. The offtake of sugar from factories during the month of May was about 1,48,000 tons against 1,26,000 tons during the corresponding period last year. The total offtake of indigenous sugar during seven months of the current season was about 9,53,000 tons against 5,91,000 tons of the previous season. The closing stock of indigenous sugar on May 31, was 12,41,000 tons during the corresponding period last season.

IMPORT OF AMERICAN COTTON

The Government of India had licensed the import of 150,000 bales of American cotton with stapling 1-1/6 inches and above from May 11 to June 23 before suspending further imports recently. An official spokesman said that 150,000 bales represented India's "normal import of American cotton". Explaining the reason for suspension of imports, the spokesman said, "The moment we reached the figure of 150,000 bales we decided to suspend the imports of American cotton. Any further imports must now be made under the American aid programme."

INDIA'S RUBBER STOCKS

India's rubber stocks improved further to 5,714 tons at the end of May, 1956, from 5,276 tons at the end of the previous month and 5,074 tons at the end of March. While stocks with estates and dealers rose from 2,934 tons at the end of April, 1956, to 3,369 tons last month, those with manufacturers at 2,345 were practically unchanged. The improvement in stocks was the result of lower consumption which fell to 2,168 tons during May 1956 from 2,402 tons in the previous month. The increase in production from 1,026 tons in April, 1956, to 1,913 tons last month was more than offset by the fall in imports from 788 tons to 623 tons.

Export of rubber manufacture from India is steadily declining. According to trade statistics, the value of rubber manufactures exported from India was Rs. 84 lakhs in the last fiscal year compared with Rs. 123 lakhs in 1954-55 and Rs. 172 lakhs in 1953-54.

CEILING AND FLOOR LEVELS FOR COTTON FUTURES

The Government's announcement of ceiling and floor levels for cotton futures viz., a ceiling of Rs. 970 for Vijay and Rs. 825 for Jarilla and a floor level of Rs. 610 for the former and Rs. 455 for the latter has been well received by Cotton Circles. The announcement has cleared off the uncertainty in the minds of operators and is expected to have a stabilizing influence on price hereafter. In fact, this was reflected in the firm closing levels immediately following the announcement. Prices for Vijay April closed four points higher at Rs. 822, while the Jarilla contract closed at Rs. 661 against Rs. 654 on 26th June. Conditions in the spot section was also better, showing an improved demand for good quality cotton.

NO CHANGE IN TEA EXPORT DUTY

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty, at Rs. 2-13-11 per lb. as against Rs. 3-5 per lb. in force from June 1, 1956. There is no change in the existing rate of duty of annas six per lb.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. L.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	387.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56	313.2	419.7	338.2	372.9	546.4	360.3	..	..	..	..
August 1955	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.3	122.6
September	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.3	122.6
October	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.3	124.6
November	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	126.9
December	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	126.6
January 1956	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0*	87.3	126.7
February	335.3	464.6*	355.8	375.3*	529.1	376.4*	91.3	101.1	84.7	121.6
March	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	84.8	124.6
April	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	126.0
May	305.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	125.9
Week Ending										
12-5-1956	350.1	475.2	382.8	378.2	498.6	389.8	91.0	100.9	85.1	124.1
19-5-1956	350.5	483.5	385.0*	377.1	501.0	391.3*	91.2	100.8	85.0	124.3
26-5-1956	348.2	484.3	386.9	376.9	508.2	391.1	91.2	100.8	85.1	124.4
2-6-1956	353.8	478.0	385.4	376.7	506.0	391.6	91.2	100.8	85.1	124.4
9-6-1956	356.3	476.0	386.0	378.4	509.0	393.0	91.2	100.5	85.0	124.7
16-6-1956	366.9	474.7	396.8	377.9	513.1	398.2	91.3	100.5	85.2	125.2

* Average of weeks.

* Revised.

† Economic Adviser's Series.

†† Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces			Madras	E. P.	Bihar	All India
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100				Nagpur	Jubbulpur	Madras June 1935=100				
1939 (Aug-Dec.)	103	—	—	132	339	105	104	—	106	—	—	—	—
1948	268	303	243	132	348	471	372	146	309	168	—	—	124
1949	292	307	248	132	348	478	377	151	323	164	—	—	126
1950	298	313	257	132	349	434	372	153	325	166	—	—	128
1951	314	330	261	142	370	451	391	168	334	167	—	—	144
1952	321	337	250	143	351	441	380	150	330	151	—	—	141
1953	346	363	275	140	349	453	387	151	351	147	—	—	145
1954	342	359	244	138	327	408	373	139	341	148	—	—	136
1955	322	333	218	130	323	371	364	133	321	134	—	—	132
1955 July	324	340	224	129	325	371	364	136	316	134	—	—	132
August	325	341	229	134	329	375	367	137	318	136	—	—	134
September	317	333	224	133	327	373	367	133	323	136	—	—	132
October	315	331	225	134	334	385	369	134	323	139	—	—	134
November	314	330	229	136	339	392	369	138	327	144	—	—	135
December	316	332	230	140	329	393	375	143	334	148	—	—	135
1956 January	318	334	226	139	319	404	378	146	334	—	—	—	135
February	321	337	224	137	315	394	—	—	333	—	—	—	133
March	334	350	230	139	325	398	—	—	340	—	—	—	—
April	342	358	239	140	338	409	—	—	354	—	—	—	—
May	—	—	—	141	—	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	29-6-1956			22-6-1956			15-6-1956			8-6-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	102-10	100-14	101-15	103-4	101-2	101-18	103-8	102-8	103-9	104-3	102-6	103-5
Silver (per 100 fine tolas)	173-11	169-9	171-1	172-11	168-11	170-10	170-9	169-1	169-11	171-9	168-11	170-8

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	56.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.86	92.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	689.31	56.47	102.25	428.61	1,219.17
Average of Fridays	1,290.78	23.49	1,314.27	40.02	668.82	708.84	53.93	110.51	494.93	1,314.27
September 1955	1,303.25	10.97	1,315.39	40.02	632.07	672.08	51.00	110.95	531.18	1,314.22
October ..	1,327.06	14.27	1,341.33	40.02	642.08	682.09	50.85	109.38	549.84	1,341.32
November ..	1,350.04	10.13	1,360.17	40.02	662.98	703.00	50.95	108.56	548.61	1,360.17
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	574.69	1,400.73
February ..	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	608.24	1,411.56
March ..	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
April ..	1,509.33	15.96	1,525.30	40.02	682.69	722.71	47.39	106.38	696.21	1,525.30
Week Ending 24-5-1956	1,506.13	18.98	1,525.11	40.02	681.45	721.47	47.31	104.89	699.75	1,525.11
1-6-1956 ..	1,501.84	23.44	1,525.28	40.02	676.48	716.50	46.97	105.06	703.72	1,525.27
8-6-1956 ..	1,514.82	9.45	1,524.27	40.02	666.54	706.56	46.35	104.06	713.66	1,524.27
15-6-1956 ..	1,504.31	20.75	1,525.06	40.02	666.54	706.56	46.33	104.84	713.66	1,525.06
22-6-1956 ..	1,488.87	29.68	1,518.55	40.02	656.54	696.56	45.93	100.33	713.66	1,518.55

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Government	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	..	..	..
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.96	47.24	2.62	406.95	1.57	..	..	..
1948-49*	222.17	6.62	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	..	..	..
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.36	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.39	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	196.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.08	89.77	18.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.68	7.61
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
Average of Fridays														
July 1955	76.93	17.83	50.62	19.03	164.40	32.13	206.52	29.47	9.53	69.81	88	32.44	58.54	6.02
August ..	87.33	20.66	51.35	20.28	179.12	30.62	219.74	26.64	9.90	86.25	1.02	25.04	62.18	7.74
September ..	60.36	18.28	55.51	16.91	151.06	21.26	182.32	23.63	13.68	51.57	1.02	28.64	52.13	11.65
October ..	50.15	23.59	61.12	15.97	150.84	25.92	180.76	11.10	9.30	72.93	76	20.62	50.24	12.17
November ..	54.93	14.81	58.52	15.46	143.57	29.71	183.43	14.40	7.37	80.45	2.22	24.17	50.09	12.21
December ..	54.13	8.44	57.88	15.97	136.01	34.76	181.17	10.25	8.11	63.93	3.97	31.67	50.49	12.76
January 1956														
January ..	53.56	12.51	59.90	17.49	142.53	48.77	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February ..	61.12	13.65	56.38	16.85	147.00	59.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March ..	57.51	37.28	49.25	16.98	159.51	59.25	220.30	11.26	9.53	65.31	1.60	73.88	39.44	17.33
April ..	56.21	30.15	52.14	17.16	155.65	68.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
Week Ending														
18-5-1956 ..	67.84	7.16	51.09	12.66	138.75	64.34	202.81	18.63	9.96	35.46†	2.83	82.17	35.06	18.70
25-5-1956 ..	56.69	9.13	51.21	12.63	129.56	63.90	193.46	19.12	8.86	35.38†	2.19	78.53	35.38	18.69
1-6-1956 ..														
1-6-1956 ..	54.48	10.26	51.89	13.10	129.73	70.91	200.64	23.53	9.26	37.03†	2.80	80.25	37.03	18.91
8-6-1956 ..	52.47	4.93	50.18	12.47	120.05	66.51	186.34	9.54	9.04	36.33†	4.55	74.92	36.33	18.87
15-6-1956 ..	55.80	5.28	51.18	13.17	125.43	66.99	192.41	20.87	9.38	36.38†	4.99	73.36	36.38	18.98
22-6-1956 ..	62.58	8.01	51.88	13.08	135.49	66.71	202.20	29.81	8.64	35.99†	5.02	71.62	35.99	18.98

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

SEA AND AIR-BORNE TRADE OF INDIA

Composition of Trade

(In thousand rupees)

	IMPORTS		EXPORTS (Including Re-exports)	
	12 Months April—March		12 Months April—March	
	1954-55	1955-56	1954-55	1955-56
I. Food, Drink & Tobacco:				
Fish (excluding canned fish)	14.26	14.73	4,49.03	3,76.03
Fruits and Vegetables	9,70.45	11,29.64	13,70.26	15,99.19
Grain, Pulse and Flour	68,18.85	17,46.70	2,50.85	9,38.64
Liquors	1,54.17	1,39.57	9.61	14.19
Provisions and Oilman's Stores	9,54.86	12,63.74	2,73.30	3,55.66
Spices	4,28.52	6,33.54	11,57.17	10,54.55
Sugar	37,36.11	3,86.34	44.17	95.85
Tea	35	21.28	1,47,22.31	1,08,74.26
Other Food and Drink	1.64	1.19	7,89.61	1,79.49
Tobacco	1,17.90	1,46.67	12,99.03	11,83.72
TOTAL CLASS I	1,31,97.10	54,83.41	2,03,65.35	1,66,63.94
II. Raw Materials and Un-manufactured Articles:				
Coal and Coke	—	7	3,59.07	2,11.83
Other Non-Metallic Mining Products	6,80.88	7,14.59	9,32.37	10,93.52
Fodder, Bran and Pollards	3.39	3.14	51.06	1,67.01
Gums, Resins and Lac	1,85.62	1,93.27	11,50.58	12,98.69
Hides and Skins, raw	43.15	89.79	7,19.91	7,49.90
Metallic Ores and Scrap Iron	42.08	73.51	20,04.38	21,48.01
Oils of all kinds	89,50.92	63,22.11	22,36.02	39,31.81
Oil Cakes of all kinds	—	—	1,47.97	5.30
Paper-making materials	1,70.74	2,34.99	53.21	1,11.95
Rubber, raw and crude	1,03.49	1,95.57	85	57
Seeds (including nuts for oils)	7,42.37	8,08.97	4,25.22	4,07.69
Tallow, Stearine and Wax	1,04.53	60.08	7.14	11.30
Cotton, Raw and waste	58,45.45	57,34.98	20,23.73	39,37.82
Jute, raw	2.99	2.56	—	—
Silk, raw and cocoons	1,06.20	52.80	6.51	28.01
Wool, raw and tops	8,16.01	8,88.69	9,63.52	10,51.44
Other Textile Materials	4,25.27	2,51.88	1,87.07	1,68.79
Wood and Timber	1,92.18	3,36.52	1,17.33	1,68.83
Miscellaneous	3,16.50	4,32.19	8,66.99	8,79.46
TOTAL CLASS II	1,87,31.78	1,63,95.71	1,22,53.13	1,68,94.53
III. Articles wholly or mainly manufactured:				
Apparel	43.05	51.34	2,59.61	2,63.26
Arms, Ammunition and Military Stores	2,35.73	2,50.99	13.03	3
Chemicals, Drugs and Medicines	31,99.51	36,98.40	4,83.83	4,03.83
Cutlery, Hardware, etc.	17,76.71	24,11.96	2,81.35	3,55.78
Dyes and colours	19,28.07	17,63.77	71.54	65.18
Electrical goods & apparatus other than Machinery	11,45.77	15,51.97	44.70	49.27
Furniture, Cabinetwork, etc.	32.76	33.62	39.86	34.16
Glassware and Earthenware	1,78.44	2,11.95	23.53	22.30
Hides and Skins tanned or dressed and Leather	34.29	24.71	20,92.21	22,96.99
Machinery of all kinds	87,02.05	1,20,21.46	1,22.46	1,27.16
Metals—Iron and Steel and manufactures	30,87.57	66,45.91	79.23	1,03.95
Metals other than Iron & Steel and manufactures	26,15.10	25,55.01	1,28.12	1,54.75
Paper, pasteboard and stationery	13,72.22	16,33.47	90.21	91.44
Rubber manufactures	54.06	55.81	1,22.14	86.09
Vehicles excluding locomotives	35,66.95	55,99.77	1,53.12	2,14.88
Cotton yarns and manufactures	2,22.38	4,36.06	67,02.17	63,47.28
Jute yarns and manufactures	67	56	1,24,19.84	1,18,37.25
Silk Yarns and manufactures	21.79	7.94	20.56	33.87
Woolen yarns and manufactures	2,96.18	2,97.56	4,38.75	4,22.56
Other yarns and textile fabrics	14,43.68	17,80.06	3,88.27	4,05.09
Miscellaneous	11,49.05	15,17.44	17,45.92	18,35.72
TOTAL CLASS III	3,11,06.02	4,27,49.77	2,57,23.80	2,51,46.16
IV. Living Animals	12.42	13.85	56.87	47.79
V. Postal Articles and Baggage not Specified	2,57.60	3,21.26	4,24.96	3,50.31
GRAND TOTAL	6,33,04.93	6,49,64.01	5,88,24.11	5,91,22.74

INDIA'S REGIONAL BALANCE OF PAYMENTS ON CURRENT ACCOUNTS

1951-52 — 1955-56

(Rupees Crores)

	1951-52	1952-53	1953-54	1954-55	1955-56	Five-Year Total
DOLLAR AREA:						
Exports	173.5	143.8	115.6	113.3	120.5	666.7
Imports	329.6	185.6	108.4	116.1	123.5	863.2
Trade Balance	-156.1	-41.8	+ 7.2	- 2.8	- 3.0	-196.5
Invisibles (Net)	+ 2.6	+ 5.6	+ 1.4	+ 2.9	+ 6.3	+ 18.8
Official Donations	+ 2.5	+ 9.3	+ 18.6	+ 15.0	+ 46.0	+ 91.4
Current Account (Net)	-151.0	-26.9	+ 27.2	+ 15.1	+ 49.3	- 86.3
STERLING AREA:						
Exports	397.5	306.2	291.2	339.7	332.1	1,666.7
Imports	376.7	281.8	302.3	356.7	356.2	1,673.7
Trade Balance	+ 20.8	+ 24.4	- 11.1	- 17.0	- 24.1	- 7.0
Invisibles (Net)	+ 75.3	+ 73.0	+ 74.9	+ 70.4	+ 66.3	+ 359.9
Official Donations	+ 2.8	+ 1.5	+ 0.4	+ 0.8	+ 0.1	+ 5.6
Current Account (Net)	+ 98.9	+ 98.9	+ 64.2	+ 54.2	+ 42.3	+ 358.5
O.E.E.C.:						
Exports	73.8	63.1	45.4	60.6	73.1	316.0
Imports	106.1	82.2	101.6	134.2	153.9	578.0
Trade Balance	- 32.3	- 19.1	- 56.2	- 73.6	- 80.8	-262.0
Invisibles (Net)	- 2.5	- 1.2	- 1.3	- 1.2	- 2.9	- 9.1
Official Donations	..	..	..	..	..	..
Current Account (Net)	- 34.8	- 20.3	- 57.5	- 74.8	- 83.7	-271.1
REST OF NON-STERLING AREA:						
Exports	85.3	88.8	87.5	83.0	116.4	461.0
Imports	150.5	83.4	79.5	74.6	114.0	502.0
Trade Balance	- 65.2	+ 5.4	+ 8.0	+ 8.4	+ 2.4	- 41.0
Invisibles (Net)	- 10.5	+ 3.1	+ 5.5	+ 5.4	+ 10.4	+ 13.9
Official Donations	..	..	..	..	..	..
Current Account (Net)	- 75.7	+ 8.5	+ 13.5	+ 13.8	+ 12.8	- 27.1
ALL AREAS:						
Exports	730.1	601.9	539.7	596.6	642.2	3,110.5
Imports	962.9	633.0	591.8	681.6	747.7	3,617.0
Trade Balance	-232.8	- 31.1	- 52.1	- 85.0	-105.5	-506.5
Invisibles (Net)	+ 64.9	+ 80.5	+ 80.5	+ 77.5	+ 80.0	+ 883.4
Official Donations	+ 5.3	+ 10.8	+ 19.0	+ 15.8	+ 46.2	+ 97.1
Current Account (Net)	-162.6	+ 60.2	+ 47.4	+ 3.3	+ 20.7	- 26.0

Source: Reserve Bank of India.

PAR VALUES OF CURRENCIES

Member	Currency	Par Values		Par Values	
		In Terms of Gold		In Terms of U.S. Dollars	
		Grams of fine gold per currency unit	Currency units per troy ounce of fine gold	Currency units per U.S. dollar	U.S. cents per currency unit
AUSTRALIA	Pound	1.990 62	15.625 0	0.446 429	224.000
AUSTRIA	Schilling	0.034 179 6	910.000	26.000 0	3.846 15
BELGIUM	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
BOLIVIA	Voliviano	0.004 677 22	6,650.00	190.000	0.528 316
BRAZIL	Cruzeiro	0.048 036 3	647.500	18.500 0	5.405 41
BURMA	Kyat	0.186 621	166.667	4.761 90	21.000 0
CEYLON	Rupee	0.186 621	166.667	4.761 90	21.000 0
CHILE	Peso	0.008 078 83	3,850.00	110.000	0.909 091
COLOMBIA	Peso	0.455 733	68.249 3	1.949 98	51.282 5
COSTA RICA	Colon	0.158 267	196.525	5.615 00	17.809 4
CUBA	Peso	0.888 671	35.000 0	1.000 00	100.000
DENMARK	Krone	0.128 660	241.750	6.907 14	14.477 8
DOMINICAN REPUBLIC	Peso	0.888 671	35.000 0	1.000 00	100.000
ECUADOR	Sucre	0.059 244 7	525.000	15.000 0	6.666 67
EGYPT	Pound	2.551 87	12.188 5	0.348 242	287.188
EL SALVADOR	Colon	0.355 468	87.500 0	2.500 00	40.000 0
ETHIOPIA	Dollar	0.357 690	86.956 5	2.484 47	40.250 0
FINLAND	Markka	0.003 863 79	8,050.00	230.000	0.434 783
GERMANY, FEDERAL	Deutsche Mark	0.211 588	147.000	4.200 00	23.809 5
REPUBLIC OF GUATEMALA	Quetzal	0.888 671	35.000 0	1.000 00	100.000
HAITI	Gourde	0.177 734	175.000	5.000 00	20.000 0
HONDURAS	Lempira	0.444 335	70.000 0	2.000 00	50.000 0
ICELAND	Krona	0.054 567 6	570.000	16.285 7	6.140 38
INDIA	Rupee	0.186 621	166.667	4.761 90	21.000 0
IRAN	Rial	0.027 555 7	1,128.75	32.250 0	3.100 78
IRAQ	Dinar	2.488 28	12.500 0	0.357 143	280.000
JAPAN	Yen	0.002 468 53	12,800.0	360.000	0.277 778
JORDAN, HASHEMITE KINGDOM OF	Dinar	2.488 28	12.500 0	0.357 143	280.000
LEBANON	Pound	0.405 512	76.701 8	2.191 48	45.631 3
LUXEMBOURG	Franc	0.017 773 4	1,750.00	50.000 0	2.000 00
MEXICO	Peso	0.071 093 7	437.500	12.500 0	8.000 00
NETHERLANDS	Guilder	0.233 861	133.000	3.800 00	26.315 8
NICARAGUA	Cordoba	0.126 953	245.000	7.000 00	14.285 7
NORWAY	Krone	0.124 414	250.000	7.142 86	14.000 0
PAKISTAN	Rupee	0.186 621	166.667	4.761 90	21.000 0
PANAMA	Balboa	0.888 671	35.000 0	1.000 00	100.000
PARAGUAY	Guarani	0.014 811 2	2,100.00	60.000 0	1.666 67
PHILIPPINES	Peso	0.444 335	70.000 0	2.000 00	50.000 0
SWEDEN	Krona	0.171 783	168.667	5.173 21	19.330 4
SYRIA	Pound	0.405 512	76.701 8	2.191 48	45.631 3
TURKEY	Lira	0.317 382	98.000 0	2.800 00	35.714 3
UNION OF SOUTH AFRICA	Pound	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
UNITED KINGDOM	Pound Sterling	2.488 28	12.500 0 (or 250 shillings)	0.357 143	280.000
UNITED STATES	Dollar	0.888 671	35.000 0	1.000 00	100.000
VENEZUELA	Bolivar	0.265 275	117.250	3.350 00	29.550 7
YUGOSLAVIA	Dinar	0.002 962 24	10,500.0	300.000	0.333 333

Source: International Monetary Fund.

PROGRESS OF MULTIPURPOSE PROJECTS AND NEW SCHEMES IN FIRST PLAN

	Bhakra Nangal	Harike	D.V.C.	Hirakud	Total	New Projects	Grand Total
Progress of Expenditure (Rs. lakhs)							
Expenditure upto March 1951 ..	2,550	150	1,530	810	5,060	—	5,060
Plan 1951-56 ..	7,790	1,062	4,170	4,400	22,382	4,000	26,382
Revised 1951-56 ..	11,037	535	7,683	5,328	24,603	3,602	28,205
Actual 1951-52 ..	987	225	1,258	363	3,333	37	3,370
Actual 1952-53 ..	1,884	94	1,488	715	4,181	48	4,229
Actual 1953-54 ..	2,983	95	1,443	812	5,333	67	5,400
Revised 1954-55 ..	2,975	78	1,624	1,200	5,877	850	6,727
TOTAL 1951-55 ..	8,829	492	5,813	3,590	18,724	1,002	19,726
Budget 1955-56 ..	2,228	43	1,870	1,738	5,879	2,600	8,479

Area Irrigated ('000 Acres)

Plan 1951-56 ..	707	135	842	842
Achievements 1951-55 ..	499	100	599	599
Plan 1955-56 ..	1,361	595	2,217	2,217

Installed Capacity

(Additional '000 K.W.)

Plan 1951-55 ..	48	154	202	202
Achievements 1951-55 ..	48	154	202	202
Anticipated 1955-56 ..	96	154	250	250

*An additional fund of Rs. 5000 lakhs is on account of increased cost of construction and scope of the Projects and other reasons.

Source: Five-Year Plan Progress Report for 1954-55, May, 1956.

GOVERNMENT OF INDIA

3½ PER CENT BONDS 1962. ISSUE PRICE RS. 98-0-0 PER RS. 100 (NOMINAL).
REPAYABLE ON THE 16TH OF JULY 1962.

3½ PER CENT NATIONAL PLAN BONDS—THIRD SERIES (3½ PER CENT 1967).
ISSUE PRICE RS. 98-8-0 PER RS. 100 (NOMINAL).
REPAYABLE ON THE 16TH OF JULY 1967.

3½ PER CENT LOAN 1974. ISSUE PRICE RS. 98-8-0 PER RS. 100 (NOMINAL).
REPAYABLE ON THE 16TH OF JULY 1974.

Subscriptions to the above bonds and loan will be received simultaneously and will be limited to a total of Rs. 150 crores (approximately). Subscriptions may be in the form of (i) Cash/Cheque or (ii) Securities of the 3 per cent. Victory Loan 1957 which will be accepted at Rs. 99-13-0 for every Rs. 100 (Nominal) tendered for conversion. Interest will be paid on the 3 per cent. Victory Loan 1957 tendered for conversion up to the 15th of July 1956 inclusive.

Interest on the new bonds and loan will be payable half-yearly on the 16th of January and the 16th of July.

Subscription lists will open on 15th of July 1956 and close on the 18th of July 1956 or earlier without notice.

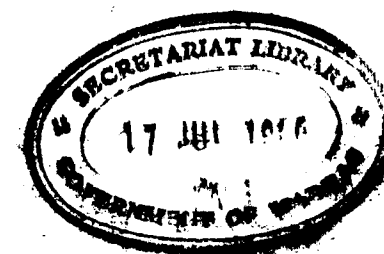
Applications for the bonds and loan will be received at:

- (1) Public Debt Offices of the Reserve Bank of India at Bombay, Calcutta, Delhi, Madras and Bangalore;
- (2) Branches of the State Bank of India except in the States of Hyderabad and Mysore;
- (3) Branches of the Hyderabad State Bank in Hyderabad State; and
- (4) Branches of the Bank of Mysore Ltd. in Mysore State.

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

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ONE RUPEE

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Tightness for All

THE decision of the Government of India to adhere to its original programme of floating Rs. 150 crores by way of various loans in mid-July has raised some eyebrows in the marketplace. Is the Government of India exhibiting more fool-hardiness than courage in refusing thus to be deterred from its original course by the great stringency of the money market? Events will soon prove whether the Government or its critics are right. But even if the Government of India should succeed in raising Rs. 150 crores by

way of loans this month, there may be set in train a series of consequences which would damp economic activity both in the public and private sectors for many months to come. It cannot be too often stressed that the main supplier of the public sector at the present time is the private sector. The extent to which Peter can rob Paul is, therefore, very limited. If the Government of India should persist in decreasing financial stringency in the private manufacturing sector, the Plan will fail in both sectors, not in one.

There is no doubt that there is something strangely unfamiliar about the present stringency in money conditions all over the country in a proverbially "slack" month. In part, a higher level of activity has absorbed a proportionately large volume of funds, but there is no indication that the volume of this activity of itself has been so much larger than the additional money put in circulation as to generate acute stringency. There must be, therefore, some special factors which are in operation. What are these? In the first place, without question, there has been the larger import programme during the last three months. The foreign assets of the Reserve Bank of India have dropped between March 30, 1956 to June 29, 1956 from Rs. 746.14 crores to Rs. 681.52 crores, that is, by a figure of Rs. 65 crores. Much of this has been financed, so far as its rupee content is concerned, by the Scheduled Banks and it is believed that the volume of letters of credit outstanding at the present time has set an all-time record. The prime reason for these imports has been the fact that major steel and capital goods imports even on Government account are being financed, in the first instance, by private business houses. This, obviously, with steel and capital goods imports at an all-time high, is a factor of great new importance. It implies a drain on banking finance perhaps of the order of Rs. 25 to 30 crores each quarter. It has been more than sufficient to absorb the new money which has entered the banking system via a rise in demand deposits.

At the same time, there are other factors which have influenced the liquidity position of the banks. A passing factor, but nevertheless one which has assumed particular importance in the quarter, has been the long period for which sugar advances have been outstanding. It is not expected that these will be returned until August. At the same time general advances have risen, and those against gur, sugar, groundnut, paddy and rice, so steeply as to justify the Reserve Bank of India's directive that no further advances on these commodities be given without the Reserve Bank's sanction. Quite apart from these special advances, there has been in operation over the last six months a steady rise in the ratio of advances (including inland and foreign bills discounted) against the total liabilities of the banks. In the year 1950-51 this ratio was as low as 52.29 per cent; in 1951-52, the first year in which tightness showed itself beyond the normal busy season, it was 63.06, a figure which is now seen to have been higher than in 1955-56 where tightness was also experienced. However, if one examines the trend from March onwards, one obtains a quite different picture. Between March 9 and June 29 of this year, the ratio has never been below the 70-mark and, on May 11, it reached an all-time peak of 72.98.

It is obvious that, with their resources fully committed in this manner, the banks are unable substantially to increase their investments or substantially to add to their advances. The one is a cause of serious concern to the public sector, the other to the private sector. It would be a matter of extreme surprise if the banks were capable of taking up any very substantial fraction of the new loans. The Reserve Bank of India is certainly unwise to have adhered to this schedule, notwithstanding the marks of stringency written deep in the banking system. It cannot profit the Government of India much for the banks to take

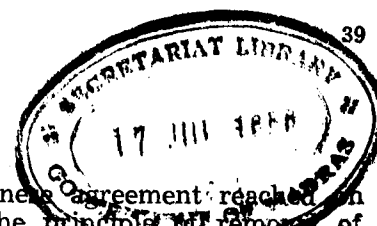
up Government loans with money borrowed from the Reserve Bank.

The volume of new money injected into the system must, of course, be carefully weighed in the balance. While stringency is expressing itself both in the private and public sectors, the General Index of Wholesale Prices has shown no major tendency to decline. It may even be that a measure of stringency is a condition of some price deflation. But there is one peculiar feature of recent price rises. Unhappily, so far as the vital industrial sector is concerned, there has been no price rise. Prices of manufactured articles in 1956 have been practically the same as in 1955, whereas industrial raw materials are up in some cases by 20 per cent, and some semi-manufactured articles by 10 to 15 per cent. In addition, the cost of living has shown an upward tendency, and this is reflected in the dearness allowances where these are linked. The net result has been a squeeze upon industrial profits, which is, again, reducing the volume of liquid cash available for use as working capital.

A situation such as this cannot be dealt with by a single panacea. Obviously if production is injured—and if the present deflationary policy of the Reserve Bank of India is continued it will be injured very soon—prices will rise further. While, therefore, an injection of new money might look on the face of it as if it is inflationary, it is in point of fact a limitation on a further price rise. It is lesser of the two evils. The truth is that when the money is used for the productive system, and not for the purpose of consumption, its inflationary impact is cushioned by that very fact. There is no reason why money thrown into payment for steel and other imports should be taken out of the private sector's domestic productive finance. As a first step, the Government of India should undertake to provide finance for the adverse balance of trade. If Rs. 65 crores, which appears to have been the adverse balance of trade in the last quarter, is injected into the system, it would have an initial stabilising effect. Thereafter the Government of India can decide in the light of loan receipts how much more it should do. It seems certain the Government of India will need to expand money supply by a figure nearly equal to the extent to which its loan programme succeeds. This condition is decreed by the fact that the private sector and the banking system simply has no free money, and can only take up additional government loans from new money injected in circulation, after it has done a round of productive work.

The conclusions of this discussion are not heartening. The Indian monetary system is showing a two-way tendency which is disconcerting. While prices tend to rise, stringency in the money market tends to be ever more intense, showing that the pressures placed upon finance by the Plan are likely to be much greater than those anticipated by official monetary policy. If the fulfilment of the Plan—and not a mere theoretical view of the appropriate level of prices—is the purpose of the Reserve Bank's policy, surely here is a case for a detailed investigation of the points at which the current tight money situation is impeding development. It is sincerely to be hoped that the Finance Minister and the Governor of the Reserve Bank of India will give their minds to this difficult situation without delay.

The New Ceylon



AMONG the nine Commonwealth Prime Ministers who assembled in London early this month, no one aroused such curiosity as the Prime Minister of Ceylon. Everyone has got used to the idea of India's dynamic neutrality and to Pakistan's single cry on Kashmir. But the sounds from Ceylon have changed sharply over the last two months. There is in fact a New Ceylon. The spotlight which Mr. Bandaranaike caught was wholly due to the emergence of a New Ceylon after the general elections of April last. Ceylon's changed look is bound to produce repercussions of some significance on international politics, at any rate in so far as it relates to South-East Asia. It was because of this new shift that Ceylon's attitudes in foreign affairs have become matters of novel concern.

The Commonwealth Prime Ministers' conference provided the first occasion for a concrete indication of some of the policies to which the Mahajana Eksath Peramuna Party stands committed by virtue of its election promises. That Ceylon won whole-hearted acceptance from the other members of the Commonwealth of continuance for her membership after her change-over to republican status was a matter of formality; nevertheless, the addition of the third republican member emphasizes the capacity of this family of nations for transformation. Also more significant than this fact is the emergence of another neutralist country within the Commonwealth. Not being a member of any regional defence pact so far, it was not for Ceylon to participate in any Commonwealth deliberations over defence pacts. But her abstention, along with India, from the Premiers' informal talks on defence at London this month rested on her avowed policy of neutralism and this marks a change. It is a change over which interest has not been concealed in India, Burma, Indonesia and Malaya. Owing to the strategic position of Ceylon in the Indian ocean there has always been concern that the neutral area might be disturbed by Free World bases particularly in proximity to Indian soil. Much of the concern on Goa and the US-Pakistan military alliance springs from this source. It was not inside the Commonwealth conference but on a different plane that spectacular proof of the Ceylon Government's determination to pursue vigorous new policies was offered.

The defence agreement concluded with the UK Government at the time of independence in 1947 has tended, naturally, in the public mind to be associated with the *ancien regime*. Sir John Kotelawala failed to sense nationalist feeling in this matter. It was quite obvious that control of the vital naval base at Trincomalee and of the air base at Katunayake by the United Kingdom could not be reconciled, in the assertive nationalist mind, with full and unfettered sovereignty. With the adoption of a categorical policy of non-involvement in regional military alliances, continuance of foreign control of military bases was ruled out and this aspect explains the unflinching attitude taken by Mr. Bandaranaike in the negotiations for British evacuation of the bases. Negotiation implied a friendly approach, and while the Ceylon Premier could not be expected to budge on the issue of principle, he was not unaware of the need to avoid sudden dislocations and upsets that were sure to prejudice both the parties.

The Anglo-Ceylonese agreement reached on July 6 recognizes the principle of removal of British control of bases, and this itself is an act of statesmanship. A smooth change implies providing the UK Government facilities that go with presence at the bases. Facilities for storage are the most crucial of all and comprise, in the case of permanent occupation, storage of fuel, ammunition, provisions and naval stores. In a period of shift of control, however, their nature must vary substantially. The agreement needs further elaboration for which negotiations are arranged to be held at London and Colombo. The mention of facilities for the Royal Navy in the published reports certainly does not warrant the criticism and apprehensions expressed by the opposition parties of the extreme left in Ceylon. If any indications are required for a fair interpretation, Mr. Bandaranaike's references to withdrawal of bulk of the British personnel and reservation of Ceylon's right of decision and action in the event of war should repel suggestions of perpetuation of foreign occupation. The co-operation of the UK in the training of Ceylon's armed forces has a parallel in India's acceptance of such co-operation in the case of her navy. It is an area where the benefit of the long tradition, experience and know-how which Britain has built up must be seized in the national interest. The abrogation of the defence agreement of 1947 and withdrawal of Britain from the bases do not throw Ceylon's security into jeopardy. There can be no threat to her security unless Communist aggression in the Indian Ocean region endangers the security of South-East Asia. Insinuations which have been made about the likelihood of danger emanating from India have been categorically dismissed by Mr. Bandaranaike as fantastic.

The accord on bases must undoubtedly raise the prestige of the New Ceylon. It will bring an accession of strength to the Government. Ceylon is now definitely set on the path of more vigorous participation in external affairs than before and the policy of non-alignment with power blocs raises interest in the shape which her foreign policy will take. Her admission to United Nations membership will bring constant opportunities to contribute her share in influencing its deliberations. What precise attitudes she will take is less clear than the fact that the phase of active participation in world affairs has now come to stay in her history. Mr. Bandaranaike's pronouncements at London reveal that a redefinition of ideas on basic issues will be needed sooner rather than later. His faith in the potentiality of the Commonwealth to function as a "third force" indicates the necessity for crystallisation of positive ideas on this question. Excepting for India and Ceylon, members of the Commonwealth are committed to regional defence pacts and none of them would countenance a course of action that may affect America's policies and upset the balance of power either in Europe or in the Far East. His concept of an Asian regional alliance, wider than the Colombo Plan and more compact than the Afro-Asian Union, envisages a nebulous organisation. These amateurish diversions are bound to give place to mature and purposive policies and the New Ceylon will not fail to seize opportunities, in course of time, to throw her weight in the solution of current world problems.

Light and Shade on Community Projects

THAT full-throated appreciation which the administrators of Community Projects could not have from the Programme Evaluation Organisation of the Planning Commission they now have from Mr. M. L. Wilson whose claim to distinction is based on his fifty years' experience of participation in the Extension Movement of the United States. In his 30-page report of a survey of community development programme in India, the American expert confesses that "my admiration and enthusiasm for the programme as a whole is such that I can hardly express my judgment and opinion except in superlatives". Viewing it in a broad way, he thinks that "a great deal of social invention and new creative thinking has gone into the movement in India". With such great admiration for the objectives and the background philosophy of the programme, it is no wonder that Mr. Wilson finds it a little difficult, as he himself says, "to move from an attitude of admiration for the whole to the realities of careful examination of how it works".

Mr. Wilson's report, however, contains as much constructive criticism as one may expect if the enthusiasm of officials is not to be chilled but is to be encouraged to kindle further enthusiasm in the village people themselves. For, the visitor who met a number of development officials at all levels has to take note of the fact that there are those who think in terms of an 'administered government programme' and those who have a real understanding of a 'people's programme'. His optimistic forecast that it is going to be a 'people's programme' appears to be partly based on his own judgment that "any government that is so forward looking as to have a continuous evaluation process going on outside of the legislative and administrative functions is most likely to succeed in its objectives".

This optimism of Mr. Wilson's is, alas, not wholly justified by the findings of the latest Evaluation Report on the working of Community Projects and N.E.S. Blocks. While, for example, the visitor says that the village level workers that he has met measure up pretty well to his expectations, the Evaluation Report records that the original expectation that the Gram Sevak would function as an agent arousing the people to better effort and better ways of living and teaching them how to achieve this in practice, still remains largely unfulfilled. The village level worker's role as one of a 'friend, philosopher and guide' to the villager has receded to the background. What he now actually does is to distribute seeds, fertilisers and other agricultural supplies, to arrange for loans for these, to inoculate and vaccinate human beings and livestock alike, to collect contributions from people for village development works, to maintain records and to supervise construction of the works. Thus a gap has manifested itself between what the Gram Sevak was supposed to do and especially what he was trained for, and what he has actually had to do in the field.

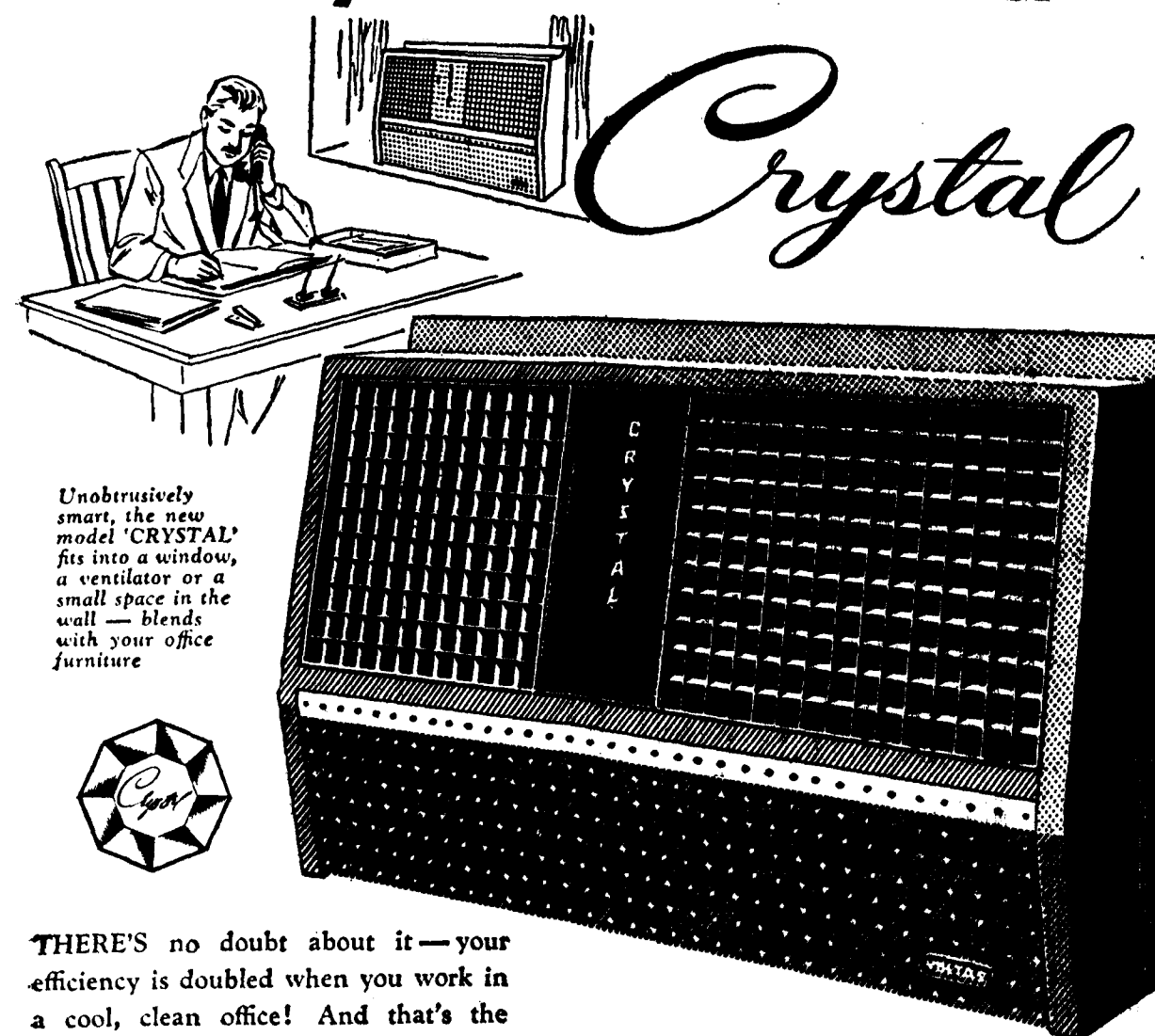
If the Gram Sevak (who is in charge of 10 or 12 villages) has turned out to be something of a disappointment, the block development officer has fared no better. Mr. Wilson's conception of the block development officer as "a great humanist who has sympathy, insight and understanding of the lives and aspiration of the village people" does not exactly accord with reality, for this officer is mostly a revenue department man who was always innocent of those high qualities.

Mr. Wilson himself is probably aware of this where he urges that the block development officer and the block extension staff should have a deeply ingrained point of view that primarily and fundamentally they are developing people and that almost everything they do contains an element of human development. The Evaluation Report hits the nail on the head when it says that revenue men inevitably give a bias to the whole programme in favour of construction activity and discount extension work. Incidentally, the feeling that this is a revenue department programme is already a major factor contributing to the difficulties of inter-departmental co-ordination. The block development officers' undue anxiety to get the works done and the expenditure incurred also stands in the way of sufficient thought being given so far in projects to arrangements for the maintenance of facilities after the project period is over. Even in the matter of expenditure most Community Projects are not particularly efficient for the actual per capita expenditure ranges only from Rs. 2 to Rs. 5 a year as against an envisaged expenditure of Rs. 7.5. It is the same story in the case of a majority of N.E.S. blocks which have succeeded in spending only between Re. 1 and Rs. 2 per person per year as against an envisaged expenditure (including short-term loans) of Rs. 3.75.

Both the Evaluation Report and Mr. Wilson's Survey have also dealt with the question of building up popular institutions like co-operatives and panchayats in Community Project areas. The planners who have a touching faith in the panchayat institution may not, however, appreciate the Evaluation Organisation's reference to "the almost universal experience of factions, apathy and corruption in the working of Panchayats". Mr. Wilson's observation that each 'individual farmer' has really to understand the co-operative idea and participate freely in a democratic process should be even more unpalatable to the planners whose ideas of co-operative organisation in a 'socialist structure of society' do not accord with those of co-operators in the United States and Denmark. If Indian co-operation receives a Chinese orientation, as it almost threatens to do, and individual ownership of land comes to be slowly but surely eliminated, community development as a whole in that event may well change into a fully "administered government programme" and thus belie Mr. Wilson's optimism.

Herein lies the possible danger to the entire basis and background philosophy of community development and national extension programmes which, among other things, seek to make individual farming more efficient and remunerative by virtually limiting co-operation to credit, marketing and supplies of agricultural requisites. As the planners in India think in terms of assigning a crucial and far-reaching role to co-operation in the matter of reorganising the current agrarian structure based on private property relations, the proposed Government delegation to China would do well to notice how the co-operative farming organisation even at its 'elementary stage' (as the Chinese call it) could not have been set up in that country except by compulsion and pressure from above and from outside. Surely the meaning that we attach to 'co-operation' cannot be the same as the one which the Chinese attach to the word especially where they describe collective farming as 'the higher stage of co-operation'.

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THE WEEK'S NOTES

THE COMMONWEALTH COMMUNIQUE

THE DIVERSE countries constituting the Commonwealth continue to hold together in a world yet to be freed from its major international tensions. That the nine Prime Ministers are imbued with "a sense of common purpose in their approach to the problems of the day" is at once a tribute to the essentially sound statesmanship that has been the attribute of Commonwealth leaders in recent years. The communique just issued by them certainly "reflects the capacity of the Commonwealth to reshape its thinking in the light of the nuclear deterrent and the changes which are taking place in Soviet strategy". The use of the word 'strategy' in a British spokesman's commentary on the communique is significant of the Soviet policy change which, outwardly at any rate, appears to be more far-reaching than a mere tactical turn. But the communique which welcomes the Russian indications of a change is, at the same time, cautious when it rightly emphasises the continuing need for deeds to settle outstanding causes of tension, for the basic strategy of Soviet Communism may yet remain the same in so far as its basic goals are concerned. If Russia under Stalin was "a riddle wrapped in a mystery inside an enigma", Khrushchev's leadership, despite all its brutal frankness, is making it even more so. When, therefore, the Commonwealth communique specifically refers to the question of German unification—the touchstone on which Russia's intentions are to be tested—it comes closest to the American stand and underlines the need for vigilance.

If the London Conference has given a sound lead in the matter of relations with the Soviet Union, its approach to the internal problems of the Commonwealth is no less sound. The expressed determination of the United Kingdom to improve its capacity to serve as a source of capital for development in Commonwealth countries, the recognition that the civil use of nuclear energy constitutes a valuable new sphere of co-operation within the Commonwealth, the opportunity for personal contacts between the Prime Ministers and the agreement to Ceylon remaining a member of the Commonwealth even after she becomes a republic—all these speak for the utility and flexibility of that reasonably stable institution of international co-operation. The Commonwealth may well endure for its unity is not enforced from above by any dominant Power.

CONTROVERSY OVER HINDI

ALTHOUGH THE report of the Official Language Commission is yet to be issued, two great men—Dr. Rajendra Prasad and Mr. C. Rajagopalachari—have just given vigorous expression to their views on the place of Hindi. While the Rashtrapati says that "we cannot make our country fully independent as long as we depend on a foreign language", Rajaji holds the opposite view that "the dislike of English on account of its past association with foreign rule is mere unthinking prejudice" and that "it is not a sign of true civilization". While the former asserts that "no self-respecting Indian would vote for the retention of English in its present position", the latter is even more emphatic that "it is no shame to use a language that is no longer the language of the proud conqueror or the ruling tyrant".

The South Indian leader goes so far as to say that "the imposition of a language on the people at Government level, to whom it is not anything like a mother tongue, but is justified only on the principle that the opinion of the majority must prevail, induces a feeling of subjection to external authority, a feeling that there has not been emancipation but only a change of masters". As if to clinch his point, he adds that the proposed visit of the Secretary of the Language Commission to Russia to study how Moscow enforces her

language on the tribes she rules over will only add to the feeling that the Hindi policy is of the nature of totalitarianism.

There is obviously some heat and not a little passion in the approach of Rajaji who is too shrewd to forget that in a matter of sentiment rational arguments can hardly convince. It is rather unfortunate that he should have thought it fit to use extremely strong language in a controversy that may inflame popular passions in some parts of the country. When the aftermath of the States Reorganisation Report is still with us, the Language Commission should be aware of the need for avoiding further trouble. It is here that Rajaji's foresight could be convenient to the Commission although it might be inconvenient to the Hindi enthusiasts. In any case, a more leisurely and dispassionate consideration of the language question is called for if restraint and moderation should assert themselves in due course.

REFORMER'S DISILLUSIONMENT

IT IS not entirely fortuitous that it has now fallen to the lot of Prof. M. L. Dantwala (till recently connected with the land reform section of the Planning Commission in a high official capacity) to expose the direction in which our land reform policy is likely to take the basic agricultural sector. A liberal agrarian reformer, Mr. Dantwala (now Professor of Agricultural Economics in the University of Bombay) is probably not happy over the incipient collectivist trend in the approach of the Planning Commission to the land question. After referring to the striking parallel between the first two phases of land reforms in China and the programme of land reforms in India, the Professor says:

"We are told by the Planning Commission that 'the co-operative sector will be enlarged until the management of the entire land in the village becomes the co-operative responsibility of the entire community'. We are also told that 'once the stage of co-operative management is reached, the distinction between those who have land and those who are landless will lose much of its significance'. If the ultimate aim of land reforms in India is to abolish individual ownership in land, this fact should be more explicitly stated before our farmers instead of voicing the slogan of 'land to the tiller' which now sounds out of tune with the real intentions of the planners in India".

The ultimate phase of land reforms contemplated in our country is scarcely distinguishable from the third phase of 'socialist transformation of private agriculture' launched towards the end of 1953 in China. The Chinese are already half way through the gigantic experiment of organising, on a nation-wide scale, collective farms of the Soviet pattern. As at the end of January this year, just under 25 million peasant families have been brought (or forced?) into the collective farm set-up. As the Chinese describe collective farming as 'the higher stage of co-operation', the official Indian delegation about to go to China will only be studying the collective farms and the bureaucratically-run co-operative farms there. Will India too take the China road in the matter of agrarian reorganisation? This pertinent question, posed by Prof. Dantwala, should provoke serious thought.

AN INDUSTRIALIST'S EXHORTATION

MR. LAKSHMIPAT SINGHANIA, President of the F.I.C.C.I., speaking last week at Madras, exhorted businessmen and industrialists in the country to take greater initiative in exploring the possibilities of starting new industries. He also stressed the need for the business community attuning itself to the changed conditions in India consequent on her political emancipation. Industrialists, he urged, should develop a 'national outlook'

and strive to increase the overall wealth of the country by stepping up production and exports. Mr. Singhanian was also of the view that the recently-announced Industrial Policy Resolution appeared to be more flexible than before and provided enough scope for the private sector to contribute its share to the development of the country. The Federation had already addressed itself to the preliminary task for this purpose. Incidentally it is good news that as an earnest of its intentions, the Committee of the Federation has just decided to send a delegation of business men to Europe to explore the possibilities of establishing new industries and of expanding the existing ones in the private sector. The assurance of the Government of India that they would give all assistance required by the delegation, is even more encouraging in this regard.

In emphasising the futility of the controversy over the role of the two sectors, Mr. Singhanian almost appeared to be echoing the sentiments of Mr. T. T. Krishnamachari who recently described himself as a 'national sector man' and not as a 'private sector man' or a 'public sector man'. The Federation Chief's exhortation to the business community to develop a 'national outlook' calls for comment only to the extent of noting here that the entrepreneurial class in India never ceased to be national in their outlook even after the emergence of socialist principles in planning. In any case, will the 'national outlook' be a sufficient safeguard against possible nationalisation? Mr. Singhanian has given the answer that it will. Perhaps this optimism is engendered by Mr. Nehru's firm handling of extremist demands in recent months. As long as he continues in office, a slowing up of socialist policies in the event of probable economic strains and stresses seems quite possible. A Swiss view, incidentally, has it that Mr. Nehru alone is sufficiently confident of himself to swing the steering wheel around in the direction of moderation.

U.S. STEEL STRIKE

THERE HAVE been four major steel strikes in the US since the war, the longest being the eight-week steel strike in 1952. The present one between the 1.25-million workers' union and the 12 major steel producers is causing much concern as almost all the industries are dependent on steel. Negotiations so far have not borne fruit as both sides seem to be adamant. The breakdown in negotiations between the steel workers and the major steel producers appears to have taken place over details of the contract provisions, rather than over any basic issue. The primary demands of the Union fall into five categories: a "substantial" wage increase; supplemental unemployment pay; improvements in health insurance and pensions; additional paid holidays and greater vacation benefits; and premium pay for work on Saturday and Sunday. In each of these categories, the companies have made offers, spread over a five-year period, which they estimate will add 17-2/3 cents an hour to their labour costs during the first year, and reach a cumulative total of 85 cents an hour in the fifth year. The workers, however, regard these estimates as highly exaggerated. A number of the proposed benefits, the workers point out, will not become effective before some years and in some cases, only a minority of workers will be affected by them. The company's demand of five-year contract later shaded to four years and four months is not finding favour with the workers union. They contend it to be a too long period to commit its members to a frozen pattern of working conditions and base the justification of their case in the previous contract which expired on June 30 and was for a period of two years. So far as the offer of basic wage rate increase of 7-2/3 cents for each year of the contract, together with an escalator clause providing for compensatory increases in the event of rise of living costs is concerned; the Union characterises it

as inadequate, on the basis of the industry's record-breaking profits and the employees record-breaking productivity. Other Company's proposals offering supplemental unemployment benefits covering 52 weeks and a 4 per cent wage premium for Sunday work, beginning in mid-1959 and other gains have been turned down on the ground that they provide little benefits.

One thing is clear if the strike continues, it is likely to upset the pattern of the whole economy. Already, it is being reported that the steel price will go up by about \$10 a ton as a result of the strike thereby putting up the cost of every manufacturing industry. In view of the compelling necessity of resuming production, a compromise will have to be made at an early date. This is obvious. India is naturally interested to know how far the strike will have an impact on the prices of our imports from the US. It is safe to assume, as the Minister for Iron and Steel has somewhat categorically stated, that there need not be any cause for worry since our imports are confined to flat products.

IMMOVABLE EVACUEE PROPERTY

THE QUESTION of settlement of immovable evacuee property has caught newspaper headlines again after a long lapse of time. The occasion was the request made by the Pakistan Government to allow its Deputy claims Commissioners to visit India along with Pakistani claimants to verify and evaluate on the spot claims of Rs. 50 lakhs or above. Verification and evaluation have become necessary particularly by reason of the fact that highly exaggerated claims have been made for compensation. The Government of India had to face a similar situation and verification involved a considerable pruning of values of claims. In this situation the Pakistan Government's desire to carry out on-the-spot checks is quite understandable. But in view of the nature of this problem, which has defied final solution so far, it is obvious that provision of facilities should be granted on a collaborated basis.

Mr. M. C. Khanna, Rehabilitation Minister, has, therefore, addressed a communication to his counterpart in Pakistan suggesting an immediate conference of officers of both the Governments to evolve arrangements to carry out verification and evaluation. Since the limit of Rs. 50 lakhs would touch only a fraction of the total claims, Mr. Khanna has suggested a limit of Rs. 1 lakh. Even this latter limit would leave out a bulk of claims; but once a start has been made the process can be carried downwards in stages. The Indian Minister has also suggested that final settlement by payment of difference in the values of properties left in the two countries can be decided at an appropriate stage once the principle of government liability is agreed upon. On modest computation, the value of evacuee property in Pakistan is placed at Rs. 500 crores and of the property in India at Rs. 100 crores. Owing to severe strain on the patience and resources of claimants of urban property, the Government of India has already taken in hand a scheme of compensation on sliding scales at a cost of Rs. 90 crores to the exchequer besides the value of evacuee property.

Apart from the fact that disposal of evacuee property by owners at a private level would involve serious losses by reason of weak bargain status and would be impossible in many cases, the entire tenor of handling evacuee property in both the countries corroborates the desirability of dealing on a government-to-government basis. The principle that evacuee property should be utilised essentially for rehabilitation of refugees has been consistently acted upon in the two countries. Difficulties in the solution of evacuee property need not be underrated. But pending complete settlement of major outstanding issues between India and Pakistan, progress on questions like the present one seems necessary.



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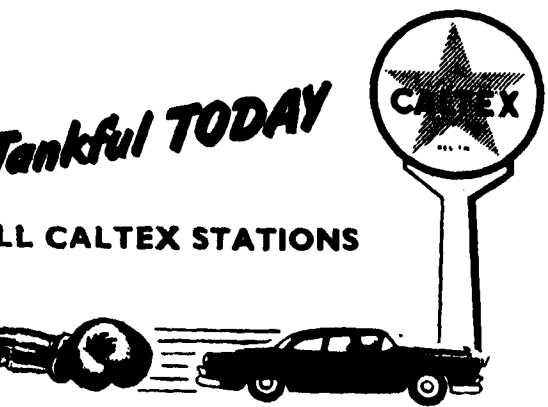
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By

ODYSSEUS

BRITISH SOCIALISTS continue to be engaged in the task of re-thinking out fundamental principles in the light of their failure to win the confidence of the electors for the past six years. Their latest effort is the publication of a pamphlet entitled "Personal Freedom—Labour's Policy for the Individual and Society."

"Personal Freedom" provokes the ironic thought that the Socialists are coming to the conclusion that it is necessary to defend the individual against the encroachments of the State for which the party's own policy is mainly responsible! It has at long last been borne in on the Socialist leaders that what is keeping them out of office is the average Briton's discontent and frustration at the narrowing of the sphere of the individual's personal choice and the widening sphere of his activities into which Government departments, officials, forms, and controls penetrate.

All commentators agree that the recent by-election at Tonbridge, a safe Conservative seat, in which the Conservative candidate barely scraped in, should not be interpreted as a swing of the pendulum towards Socialism but as the protest of the ordinary citizen against the failure of the Conservative government to initiate bold un-Socialist policies. This government could stay in office for ten years if it had the courage of its convictions.

By their past electoral promises and by their legislative performances the Socialists have won the reputation of spreading government controls and interference into areas of the citizen's life in which he has hitherto been accustomed to make his own personal choices, and the phlegmatic Englishman has got around to being angry about it.

It would be wrong to imply that the Socialists' new interest in personal freedom is purely a propaganda bow in the direction so obviously expected by the voters because from Mr. Gaitskell downwards there are innumerable genuine lovers of freedom in the British Socialist ranks. But just as the Conservatives in office are deprived of the courage of their democratic convictions by fear of the trades unions so, judging by "Personal Freedom", are the Socialists deprived of the courage of their democratic convictions by an even greater fear of the same trades unions.

Britain's biggest menace at the moment is inflation, and although there is more than one factor at work to counteract the government's anti-inflationary policies, perhaps the most outstanding is the restrictive practices of the trades unions.

ANTI-SOCIAL TYRANNY

The Socialist "Personal Freedom" pamphlet ignores this fact of which everyone in England is aware (everyone, that is, who is not a politician) and says with an air of great innocence: "The British trades unions have been, and are, of immense importance in raising the standards of living of the people and in vindicating the real political and legal rights of the workers. They are an indispensable part of our modern democracy,

and it is essential to liberty that they should preserve their full vigour and independence."

But, as the "Manchester Guardian" commented, what if the full vigour expresses itself in anti-social tyranny? In the limitation of the individual's freedom to earn as much as he can and wants to, in punishment by boycott (which can cruelly afflict a man's wife and children) for refusing to join in an unofficial strike, or in the numerous union practices which restrict output and insist on the employment of unnecessary workers. "Here," said the "Manchester Guardian," "small groups of workers in their own selfish interest oppose the general interest."

"Personal Freedom" without, of course, hinting at the existence of such complaints, tries indirectly to meet them by pointing out that most trades unions are registered with the Chief Registrar of Friendly Societies. "The Registrar," says "Personal Freedom", "must be satisfied that a union's objects come within the Acts. ... Union rules must be drawn up in a prescribed fashion, and any alteration must be made constitutionally. He can withdraw a certificate of registration if the constitution of the union has been altered in such a manner that, in his opinion, the principal objects of a union are no longer statutory objects. A trade union cannot spend its funds on political activities until it has complied with certain provisions prescribed by Parliament. The Registrar has power to intervene on all these and other grounds if the affairs of a union are not being conducted in strict accordance with the Acts. Lord Slessor has written that the Registrar appears to have 'judicial powers of enquiry into the actual conduct of a trade union.'"

All this is most impressive—if you do not know that registration is not compulsory and that a recent case has shown that the communist controlled Electrical Trades Union was able to manipulate its rules to suit its convenience. But in any case the Socialists do not conceive of the idea that a trades union could itself be open to criticism, only its members. "If," says "Personal Freedom", "a person joins a union or a professional organisation because of the protection or assistance it gives him, it is reasonable that he should be subject to discipline if he breaks the rules. The discipline should accord with the procedures laid down in the rules, and these procedures must stand the test of impartial criticism, as most of them already do."

But what about the unvirtuous minority which do not? The Registrar can withdraw their registration if he disapproves of them, in which case they continue happily as unregistered unions. So much for "Personal Freedom's" proud claim "We re-affirm the rights of the community, and we outline new safeguards for the individual." Reflection over the implications of "Personal Freedom's" attitude suggests that an act is anti-social when perpetrated by an employer but becomes constitutional when enforced by a trade union.

RESOUNDING WORDS

"Personal Freedom" claims that Socialists recognise and strive for civil liberties and goes on to assume a

proprietary air towards freedom by asserting that "our freedom" is wider than that of the Conservatives. Well, well, let us see.

"Personal Freedom" lays down that one of the Labour party's aim is that concentrations of power, military, political, and economic, should serve the whole community and not dominate it. Well, we have already seen how timid is the Socialist attitude towards the political and economic concentrations of power in the trades unions: what about the nationalised industries? "We are determined," says "Personal Freedom," "that these authorities shall not behave as if they were above the law and degenerate into irresponsible bureaucracies." Brave, resounding words!

But wait a minute. Is not public control the Socialist cure for all evils? Yet here is Labour's own "Personal Freedom" admitting that public control does not automatically bring freedom with it! Next, we find private industry prominent in "Personal Freedom's" list of power concentrations that must be curbed. It seems that the men who manage private industry are more remote and less open to criticism than those who manage public boards. In other words, if nationalised industries degenerate into irresponsible bureaucracies we must bring private industry under public control and multiply the number of irresponsible bureaucrats!

Nor is it true that those who manage private industry are less open to criticism or are more remote than bureaucrats. Far from it, in all countries of the Socialist pattern, private industrialists, for fear of an outcry from the trades unions or from a Welfare-minded Parliament, constantly put off or refrain from taking measures that they know ought to be taken. Look at the recent case of Standard Motors of Coventry. They pay the highest wages in the industry. Their canteens, sports grounds and amenities are unequalled. They are efficient. For some years they have been working out automation plans to reduce costs and make themselves more competitive with American

and German motors, as they are always being urged to do. They are model employers. They warned the unions of their plans many months ago, long enough for their workers to have had time to find other jobs bit by bit. What is the sum total of all this? They are rewarded by threats of strikes (which may yet materialise by the time these words are in print) and they are held up to opprobrium as the worst type of heartless capitalist slave drivers. What's that? I've omitted to say that they want to dismiss 2,500 workers. Of course they do. But these 2,500 will not go on the dole. There is an unsatisfied demand for labour of all kinds not only in Coventry but throughout the UK.

So that by their enterprise Standard has added to the national wealth (a) by economies leading to higher productivity in their own factory and (b) by releasing men to produce more elsewhere. Instead of reproaching the Conservative government for not rewarding the chairman of Standard with a peerage, the Socialists denounce him, and the unions demand that he should retain the superfluous 2,500 and reduce the working week to three days in order to keep 8,000 men doing work for which only 5,500 are necessary. But why insist on a 3-day week? Why not a 3-hour week? Then Standard would have to engage another 56,000 men to do the volume of work available. Competition for labour in Coventry would attain fantastic proportions. Wages would soar. Productivity would drop most satisfactorily. Inflation would gallop. It would be the Socialist millennium.

It requires courage to dismiss men in Britain today. And yet these dismissals should be regarded as part of the redeployment of workers necessary to fight inflation and raise the national income. As against this, it requires no courage to be on the Board of a nationalised industry. Certainly the officials are publicly criticised. But does this give them any sleepless nights? Why should it? They are bureaucrats. They can't be sacked. So nothing happens—and that's what "Personal Freedom" wants more of!

THE POLITICS OF THE DESERT—I

(From Our Special West European Correspondent)

PARIS, July 7.

BEHIND the reports of armed clashes in the last five weeks in the Western Sahara, and behind a complicated administrative tussle here in Paris about how the world's largest desert should be governed, lies a story of intrigue, enterprise and ambition—a story whose beginnings we are hearing, and whose end may be known only to our grandchildren. Depending on one's politics, one may see in it either the last stand of French imperialism, or the first chapter of one of the grandest economic exploits ever undertaken. The one certainty is that the French plan for the exploitation of the Sahara contains immense possibilities economically, and the realisation of this plan should—in theory, at least—be attended by fewer political complications than any other venture in imperialism. For this great waste of sand conceals one of the world's best deposits of iron ore, reserves of many other valuable metals, as yet unknown quantities of oil, and an ideal field for the use of solar energy. And it contains no people.

The attractiveness of this conjunction of circumstances in French eyes should be obvious. For scientists and industrialists who can look a few decades ahead, the promise of the Sahara is greater than any other region in Asia or Africa that ever fell under French rule. And, since it contains no people, it can never produce anti-imperialists, guerrillas, terrorists or even moderate home-rulers. After bitter experiences with these latter types of humanity in Indo-China and North Africa, French administrators are apt to speak of the Sahara in the way the supermen of science-fiction speak of their empires in Space—as vast areas of wealth and perfect quietude.

French fascination by the Sahara has coincided with the contraction of the Empire elsewhere but has not in fact been caused by it. The reason for the emergence of grandiose plans at this moment is that the potential wealth of the African desert has only recently been discovered. The French occupation of the Western Sahara dates from around 1900, during the Grab For Africa. For the first half-century after that date, the territory was left largely to the French Army, for no one else had any use for it. The army introduced law and order—for the desert is not absolutely empty of humanity; there are small numbers of nomad tribes who for ages past had led a life of precarious violence. For this small number of people—who could be counted in thousands within an area as big as a continent—the French built hospitals, dispensaries and schools, and endeavoured to introduce settled agriculture in spite of patent natural difficulties. The Sahara appeared to have no other future than a possible line of communication between French possessions on the Mediterranean and in Black Africa.

But at the end of the last war French technicians began to take the inventory of the desert's mineral resources, and they soon discovered in the west valuable deposits whose exploitation would of course require considerable effort and investment. The most important was one of the earth's biggest iron ore fields—estimated at 3,000 million tons of high-grade ore—at Gara-Djebilet about 60 miles south-west of Tindouf. (You will need a very good atlas to locate these places, but it is worth the effort because they will be on all the maps a few years from now. Tindouf, which will recur in my account as a strategic nerve-centre, is a

god-forsaken oasis just inland from the border of Southern Morocco and Spanish West Africa.) This iron ore field was surrounded by important deposits of rare minerals—manganese, copper, zinc and lead. French and American technicians are today exploring the outskirts of this field, some 50 miles further into the desert, where 500 million francs have been invested in less than five years and exploratory shafts have been dug to a depth of 8,000 feet.

Moreover, the desert has been found to contain coal, the only deposit of coking coal in all French Africa. Of even greater immediate importance, the Sahara is now known to cover oil. At In-Salah and also at the other side of the desert near the Libyan border, promising strikes have been made. In one area, oil has been struck in two places 50 miles apart and the technicians are trying to verify the pleasing hypothesis that these two wells are joined by one continuous oil-field. French scientists are scarcely less enthusiastic about the use of solar energy in the desert, for this is a branch of technology in which they are already far advanced—I have seen a concave mirror taller than a house used here to cut steel girders.

None of this desert wealth is yet being exploited, for the half-dozen Government organisations in the field, like the Bureau Industriel Africain, are still at the exploring stage. The Government and the steel industry now propose to form a mixed corporation to begin work on the iron ore deposit, and if, as is expected, the field begins to produce more ore than France herself can hope to use, an international company will be instituted. The French Assembly last week voted large credits to intensify the oil search throughout the Sahara, and in the corporations carrying out this work the Government retains a major shareholding. Another substantial credit has been given to a company to build a desert road from the north down to Tindouf.

In their enthusiasm for the opening up of the Sahara the French will admit only one precedent in scale and conception: the opening up of Siberia by Soviet Russia. When they mention the Tennessee Valley Authority, it is only to indicate the sort of giant corporation that might be entrusted with the work, and they at once emphasise that the Sahara project will be equal to many TVA's. All of this, of course, is the planning of scientists and bureaucrats—and both classes of men are notoriously apt to overlook political difficulties. But their reply to date has been that the exploitation of the Sahara could not possibly produce political difficulties because the territory is practically empty and has no other claimants besides France, its legal owner who did not take it from anybody but just took it. But nothing in this world seems to go forward without political difficulties, and in the case of the Sahara they have not been slow in appearing, though admittedly they are not of the sort that France encountered in North Africa and Indo-China. What they are, and how they have led to armed skirmishes near Tindouf, I propose to relate in a subsequent article.

Meanwhile, however, I would suggest that the case of the Sahara provides an interesting test for our anti-imperialist consciences, and is therefore worth the attention of Indians. Why do we criticise (when we do) imperialism? Invariably in the name of colonial populations who are either reduced to second-class political status, or actually oppressed or even exterminated. Opposition to imperialism has always been



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phrased in terms of political liberalism, humanitarianism, national independence or the "self-determination of peoples". So what attitude do we take when there is no local population to oppress, exterminate or do anything else to? One technique practised by anti-imperialists when there is no colonial nation to defend is to invent one—and in this style I have heard the United States civilisation roundly condemned in the name of the Redskins, or the Australian nation outlawed because the British settlers dispossessed the aborigines. But the shred of plausibility contained in these arguments will not work in the case of the Sahara, because the handful of scattered nomads now occupying its sandy wastes cannot by any means be blown up into a nation of indigenes. Anyhow, on the French record, this tiny group of people will probably be much better off if all French imperialist energies are concentrated on the desert. Anyone who nevertheless insisted that the French should leave the Sahara to its nomads would not be an anti-imperialist but a silly romanticist.

Despite the absence of a colonial nation to defend, I notice that honourable and experienced anti-imperialists still feel uncomfortable about the French Plan for the Sahara. There is a reluctance to admit that this venture is strictly comparable to the Russian colonisation of the Siberian wastes, or the American occupation of Texas. Beneath this reluctance probably lies the "salt-water fallacy"—i.e. imperialists are only wicked imperialists when they have to cross the sea to get to their colonies, and therefore the Russians are never imperialists but the British, living on an island, are never anything else. It is not my intention to tell anyone what they should think about France's "moral case" in the Sahara, but merely to suggest that by considering it one can get clearer on one's feelings about imperialism. While we are making up our minds, the French are going ahead on what may turn out to be the 20th Century's biggest adventure in colonisation.

OFF TO A GOOD START

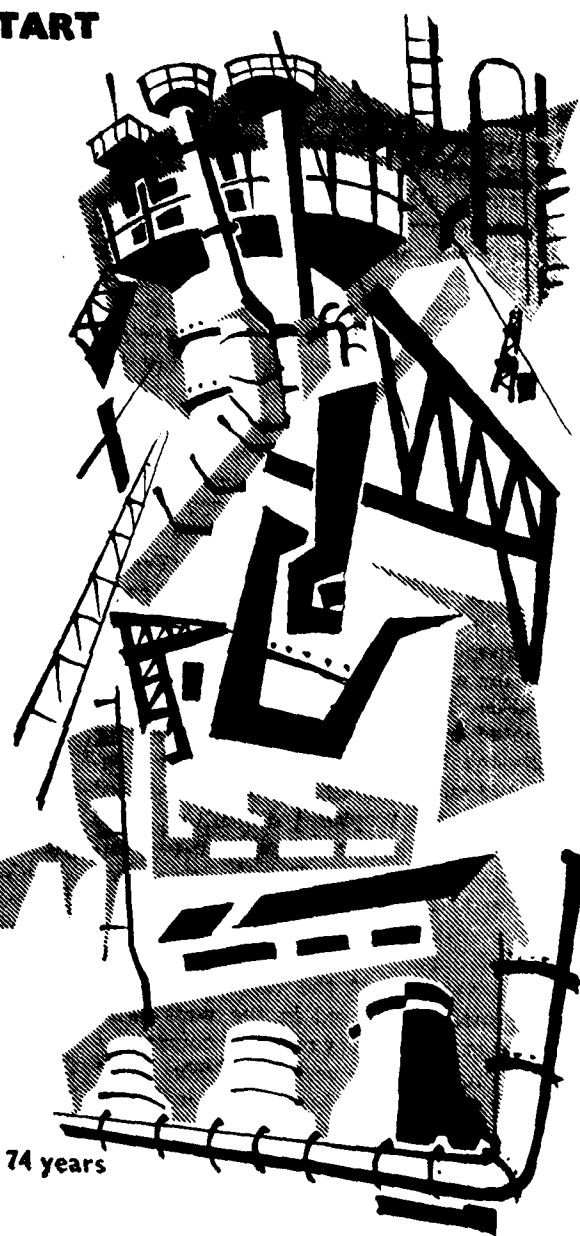
The Second Five Year Plan has allocated Rs. 710 crores for industrial and mining developments, which is an increase of Rs. 537 crores over the First Plan. Village and small-scale industries receive Rs. 200 crores—an indication of the all-round industrial effort conceived in the Second Five Year Plan.

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WORLDGRAM

AGRICULTURE

U.P. Sugarcane Supply Regulation Bill: The President has given his assent to the Uttar Pradesh Sugarcane (Regulation of Supply and Purchase) (Amendment) Bill, 1954. The Uttar Pradesh Sugarcane (Regulation of Supply and Purchase) Act, 1953, was enacted to regulate the supply and purchase of sugarcane required for use in sugar factories. Under the Act, the Cane Commissioner is empowered to reserve or assign any area for the purpose of supply of sugarcane to a sugar factory for a particular crushing season only. To enable the State Government to plan for the development of sugarcane areas on a long-term basis, the present Bill provides that such assignment or reservation may be made for one or more crushing seasons.

Progress of Co-operative Movement: The Reserve Bank of India reporting on the progress of the Co-operative movement in India, has said that by the end of June last year roughly about 80.1 million people or nearly 21 per cent of the country's population had been brought under the fold of the movement. The figure for the previous year was 75.9 million. In a publication "Statistical Statements relating to the co-operative movement in India for 1954-55", the Bank says, the year saw "considerable expansion" in the activities of the co-operative movement. At the end of 1954-55, there were 219,288 co-operative societies of all types with a membership of 16.02 million and an aggregate working capital of Rs. 390.52 crores as against 198,598 societies with a membership of 15.18 million and a working capital of Rs. 351.79 crores at the end of the preceding year.

INDUSTRY

Protection Granted to Calcium Carbide Industry: The Government have accepted the Tariff Commission's main recommendation that protection to the calcium carbide industry be granted till December 31, 1958. The Commission has recommended a protective duty of 45 per cent 'ad valorem' for the imported calcium carbide; but Government see no special reason to reduce the protective duty from the current rate of revenue duty viz. 50 per cent 'ad valorem' on this item. Protective duty on imported calcium carbide is, therefore, being continued at the existing level viz. 50 per cent 'ad valorem'. Government have also accepted certain other ancillary recommendations of the Commission and propose to implement them as far as possible.

ISI Certification for Aluminium Utensils: The Indian Standards Institution has granted three licences for use of its certification mark to a firm in Calcutta. The Standard Mark, which will be applied to wrought aluminium utensils manufactured by the firm in its three factories at Calcutta, Madras and Bombay, will certify that the utensils have been manufactured in conformity with the relevant Indian standard. The Mark consists of the monogram of the Indian Standards Institution, superscribed by the number designation of the Indian standard together with the relevant grade.

Revised Standard for Zinc: The Indian Standards Institution has circulated, for eliciting comments, a draft revision of the tentative Indian standard specification for zinc, which was published in 1950. Two important changes have been made in this revision. The number of grades of zinc used for general purposes covered in the standard has been reduced from 7 to 4 and a provision has been made for chemical analysis of the material. The draft specifies the chemical composition and other requirements of the four grades of the material. High purity zinc suitable for the zinc

base die casting has been covered in the draft Indian standard which was published in 1955.

Types and Denominations of Metric Weights: The types, shapes and denominations of metric weights, to be introduced in everyday transactions when the metric system of weights and measures comes into force early in 1958, have been laid down by the Commercial Weights and Measures Committee of the Indian Standards Institution at its two-day session here. In the weights series the highest denomination will be 50 kilogram and the lowest 1 milligram. In between the highest and the lowest denominations the series will recur in decimal multiples of 5, 3, 2 and 1.

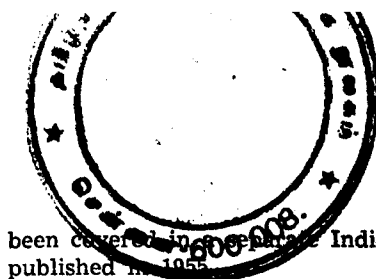
Draft Standard for Sulphurized Cutting Oil: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for sulphurized cutting oil. The draft standard prescribes requirements for a mild type of cutting oil, which is non-corrosive to copper and copper alloys and which consists of a suitable blend of a well refined mineral oil compounded with additives to permit use in light to medium heavy cutting operations. It also prescribes requirements in respect of flash point, viscosity, pour point, corrosion, acidity, ash content, etc.

Chemical Analysis of Silver Solder: The Indian Standards Institution has issued for eliciting comments, draft Indian standard methods for chemical analysis of silver solder. Methods described in the draft deal with the determination of silver, copper, cadmium, zinc, tin, lead, iron and nickel in silver solder. In preparing this draft, ISI's Basic Non-Ferrous Metals Sectional Committee took into consideration the technological methods followed in the country in this field.

FINANCE

Three New Loans by the Government of India of Rs. 150 Crores: The Government of India have announced the simultaneous issue of the following three new loans for a total sum of Rs. 150 crores: (a) 3½ per cent. Bonds 1962—Issue Price Rs. 98 per cent and repayable at par on July 16, 1962; (b) 3½ per cent. National Plan Bonds—Third Series (3½ per cent 1967)—Issue price Rs. 98-8 per cent and repayable at par on July 16, 1967; and (c) 3½ per cent. Loan 1974—Issue price 98-8 per cent and repayable at par on July 16, 1974. Interest on the new loans is payable half-yearly on January 16 and July 16 and will be subject to income-tax. Subscription lists will open on July 16, 1956 and close on July 18, 1956 but may be closed earlier without notice as soon as total subscriptions to the bonds and loan amount to Rs. 150 crores approximately. Government reserve the right to retain subscriptions up to 10 per cent in excess of the notified amount. Subscriptions may be in the form of cash/cheque or securities of the 3 per cent. Victory Loan 1957 which will be accepted for conversion at Rs. 99-13 per cent. Applications for the bonds and loan will be received at: (1) Public Debt Offices of the Reserve Bank of India at Bombay, Calcutta, Delhi, Madras and Bangalore; (2) Branches of the State Bank of India except in the States of Hyderabad and Mysore; (3) Branches of the Hyderabad State Bank in Hyderabad State; and (4) Branches of the Bank of Mysore Limited in Mysore State.

Aid to India Under Indo-US Technical Co-operation: Sixteen technical assistance agreements under the Indo-US Technical Co-operation Programme were signed recently between the Government of India and the US Technical Co-operation Mission. The total amount of aid to be provided to India under these agreements



for various projects is more than \$2.4 million. The new agreements include one relating to the Calcutta Milk Scheme for which the USA will make available \$340,000. Another \$300,000 will be given for the National Dairy Development Programme in India. Under another agreement the USA will make available \$800,000 in furtherance of the water supply and sanitation programme.

*

Avoiding Double Taxation: An agreement between the Government of India and the U.K. for the avoidance of double taxation in respect of estate duty, which was signed on April 3, last came into force from June 30, 1956. Double taxation can generally arise in respect of estate duty when a person domiciled in one country owns assets which are physically situated in another (e.g. an Englishman owning assets in India). In such cases, both countries might claim duty—the UK on the basis of domicile and India on the basis of situs (i.e. location). The purpose of the avoidance agreement is to save the tax-payer from such double imposition. The main principle behind all such agreement is that the country is situs, i.e., where the property is situated, retains the tax, while that of domicile grants the relief, so that ultimately duty is paid only once.

*

Prime Minister's National Relief Fund: A further sum of Rs. 37,158-10 has been received in the Prime Minister's National Relief Fund during May 1, 1956, to May 31, 1956. Total receipts since the creation of the Fund in November 1947 up to May 31, 1956 amount to Rs. 1,66,45,834-14-1. Outstanding contributions from abroad are Rs. 12,494-14-0 from the South Africa and Red Cross Society, Johannesburg (through the Indian Red Cross Society, New Delhi); Rs. 9,880-0-0 from the Indian Chamber of Commerce, Manila and Rs. 2,302-15-6 from the Indian Community in Broken Hill (through the Broken Hill Indian Association, N. Rhodesia). A sum of Rs. 2,527-6-6 has been contributed out of the Lok Satta-Janassatta Flood Relief Fund, Ahmedabad. The Punjab Wrestling Association has contributed Rs. 1,889-5-6.

TRADE

Export of Madras and Mysore Silk Waste: The Government of India have decided to release a quota of 75,000 lbs. of Madras and Mysore silk waste for export up to the end of September, 1956. Details of the licensing procedure are being notified by the Deputy Chief Controller of imports and Exports, Madras.

*

Zanzibar's Foreign Trade: The foreign trade of Zanzibar in 1955 aggregated £11.6 million which was slightly less than that in the previous year. Imports totalled £5.7 million and exports (including re-exports) accounted for £5.8 million. The balance of trade was, therefore, favourable to Zanzibar by about £100,000. In 1954 imports and exports were valued at £5.4 million and £5.9 million respectively. In 1955, India exported goods worth £608,338 to Zanzibar and, in return, purchased from the latter goods (mainly cloves) worth £1,206,199. India thus had an adverse trade balance amounting to £597,861.

*

Indo-East African Trade: India exported goods worth £9.3 million to East Africa in 1955 and in return purchased from the latter goods valued at £15.7 million. India, thus, had an adverse balance of £6.4 million in her external trade with East Africa. In the previous year, India's exports to East Africa amounted to £10.9 million, while imports from these totalled £13 million. The adverse trade balance was just over £2 million. The factors responsible for India's adverse position in her trade with East Africa in 1955 were her

increased purchases of East African cotton and lesser imports of India's cotton fabrics into East Africa, because of competition from Japan. As regards the former, it is interesting to note that India bought cotton worth nearly £13 million from East Africa in 1955 exceeding the previous years purchase by over £2 million. As regards exports of cotton fabrics to East Africa, India lost over £1.4 million in two items alone, that is American and coloured piecegoods on account of heavy imports of Japanese textiles into East Africa due to relaxation of restrictions on imports of Japanese goods.

GENERAL

More Factories Under Employees' Provident Funds Act: The Government of India have decided to extend the Employees' Provident Funds Act, 1952, to another four lakh workers in nearly 1,400 factories in the country with effect from July 31, 1956.

The factories proposed to be covered are:

1. Edible oils and fats;
2. Sugar;
3. Rubber and rubber products;
4. Electricity including generation, transmission and distribution thereof;
5. Tea except in the State of Assam where the Government of Assam have instituted a separate Provident Fund Scheme for the industry including plantations;
6. Printing, including the process of composing types for printing, printing by letter press, lithography, photogravure or other similar processes or book-binding, but excluding printing presses, covered under "newspaper establishments" to which the Employees' Provident Funds Act has already been extended under Section 15 of the Working Journalists (Conditions of Service) and Miscellaneous Provisions Act, 1955;
7. Stone-ware pipes;
8. Sanitary wares;
9. Electrical Porcelain Insulators of high and low tension;
10. Refractories;
11. Tiles;
12. Match factories having a production of over 5 lakh gross boxes of matches a year; and
13. Sheet glass factories, glass shell factories; and other glass factories having an installed capacity of over 600 tons.

*

Employees Provident Fund Extension Scheme: The Provident Funds accumulations including the employers' share after the extension of the Scheme are estimated to rise by Rs. 32 lakhs. The collections so far made under the Scheme amount to over Rs. 55 crores. Covering over 16 lakh employees working in 2,200 factories, the Employees Provident Funds Act, 1952, was enforced on November 1, the same year. The Act at present applies to six industries, namely, cement, cigarettes, electrical, mechanical or general engineering products, iron and steel, paper and textiles. The Government of India propose to extend the Act to all industries plantations, mines and commercial establishments etc., employing 10,000 workers or more during the second Five-Year Plan period. The decision has been taken in response to a persistent demand for the extension of provident fund benefits to all industrial workers. The Planning Commission and the Tripartite Consultative Committees also recommended the extension of the Employees' Provident Funds Act to other industries.

NEWS IN BRIEF

FOREIGN

The consumption of oil in Sweden has nearly quadrupled in less than ten years and totalled 1,306 litres per inhabitant in 1955, as compared with 341 litres in 1946, according to a survey published by the Swedish Esso Company.

*

Exports of tea from Ceylon during the year ended March 31, 1956, amounted to 359.09 million lbs. as compared with 352.52 million lbs. in the previous year, despite a poor offtake by the UK, Australia and New Zealand. This expansion was due to increased offtake by other countries, particularly Iran, Iraq, Africa and the USA.

*

The Government of Japan is aiming at increasing the merchant fleet from the present tonnage of 3.2 million to 4.5 million gross tons in the next five years.

*

It is reported the Austrian Cabinet approved recently a double taxation agreement concluded with Great Britain and Northern Ireland. A delegation is to be sent to Paris to draw up a similar agreement with France.

*

Surgical instruments produced in Norway Tomsyl (Poznan Voivodship) are exported to fifteen countries, including Brazil, Yugoslavia, China, Turkey, Portugal and Rumania.

*

According to figures released by the Department of Census and Statistics, Ceylon had a favourable trade balance of Rs. 22.5 million—about £1.7 million—for April. Exports amounted to Rs. 142.7 million and imports to Rs. 120.2 million.

*

The Indonesian Government has announced that the export duty on rubber for the third quarter of this year is to be cut to 3.4 rupiah cents per kilo. This compares with 18.6 cents in the second quarter and 65.4 cents in the first.

*

The Burmese Government is setting up a national cultural centre in Rangoon, consisting of a national library, a museum and an art gallery.

*

The General Conference of the International Labour Organisation recently voted to admit Tunisia, Sudan and Morocco to the ILO, thus raising the membership of the Organisation to 76.

*

The Canadian Government had a budgetary surplus of \$274,157,000 (£99.3 million) at the end of May, over double the surplus of \$136,620,000 (£49.5 million) for the first two months of the preceding financial year.

*

The United States Government has allocated \$2,469,200 (Rs. 117.28 lakhs) as additional assistance to the Indian development projects. Of this amount, \$802,800 has been provided to launch three new Indo-US Co-operative projects while \$1,666,400 is for continuing assistance to 11 existing projects.

*

The first treaty to prevent double taxation between America and any of the Latin-American republics was signed recently with Honduras. The agreement follows the pattern of tax treaties with many European nations. Similar treaties are under negotiation with Cuba and Mexico.

INDIAN

The Central Warehousing Corporation which is being set up shortly will have an authorised capital of Rs. 20 crores and an issued capital of Rs. 10 crores. The Corporation will operate warehouses at 100 centres of all-India importance with storage capacity of 10,000 to 20,000 tons each.

*

Aluminium production in India increased to 7,245 tons in 1955 from 4,886 tons in 1954.

*

Export of jute goods from India touched the highest level of 8.51 lakh tons in 1954-55 as against 7.92 lakh tons in 1953-54.

*

The Rehabilitation Finance Administration had, up to April 30, 1953, sanctioned Rs. 1,257.48 lakhs to be distributed as loans to displaced persons.

*

Thirty-five thousand powerlooms will be installed during 1956-58 to help handloom weavers working on co-operative basis to switch over to a more economic method of production.

*

The Government of India have sanctioned Rs. 22.48 lakhs for road development works in Assam, Madhya Bharat and Kutch.

*

During 1955-56, 319 licenses were issued for the expansion of existing industries in India as against 225 in 1954-55.

*

Sports goods, valued at about Rs. 1 crore are manufactured on a small-scale basis in India every year.

*

The State-owned penicillin factory at Pimpri produced, during May, 1.13 million mega units, the highest figure since the factory went into production in August, 1955.

*

Seventy-five thousand Ambar Charkhas will be supplied to spinners in the country during 1956-57.

*

Power transformers of the estimated value of Rs. 3.50 crores were manufactured in India during 1955.

*

The President has given his assent to the Bombay Molasses (Control) Bill, 1956.

*

The Government of India has set up a new shipping corporation, called the Western Shipping Corporation (Private) Ltd. with an authorised capital of Rs. 10 crores and a paid-up capital of Rs. 5 crores.

*

An industrial estate is to be set up at Gauhati. The Government of India have approved a scheme for this purpose and have sanctioned a loan of Rs. 5.70 lakhs in the first instance to the Government of Assam.

*

An integrated programme for the development of village oil industry has been approved by the Government of India. Loans and grants amounting to Rs. 28,75,000 have been sanctioned to the All-India Khadi and Village Industries Board for this purpose.



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From 15th July to 15th September

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The availability of these tickets will be as under:

301 to 500 miles	— 20 days.
501 to 750 miles	— 25 days.
751 miles and above	— 30 days.

The return journey must be completed before midnight of 30th September, 1956, notwithstanding the date of issue.

Break of journey on return trip will not be permitted but, on the outward trip, this concession will be allowed as applicable to ordinary tickets.

Passengers are required to get their return tickets dated, indicating the date of commencement of the return journey, from the Booking Office of the starting station for the return journey. Passengers found travelling on tickets not so dated will be treated ticketless.

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Special Articles

REPORT OF THE BANK FOR INTERNATIONAL SETTLEMENTS

(CONTRIBUTED)

COUNTRIES with large development programmes such as India cannot fully carry out their programme without some foreign financing. Thus their progress depends on sound economic conditions in the industrial countries from which such funds could be made available. For this reason the Annual Report of the Bank for International Settlements, which through its independent and undogmatic outlook has gained a unique place among international publications, deserves the special attention of Indian readers although it mainly deals with trends in Europe and North America. Its main theme is the problem of the proper measures for moderating the present boom without impeding healthy economic growth. In order to sustain this growth, a plentiful supply of savings will be needed. "Funds will be required to finance the heavy expenditure necessary for the practical application of the many new inventions now about to be introduced and for the satisfaction of the various new needs which are a reflection of rising standards of living—not to mention those required for the investment in under-developed countries". And the report goes on, "if the requisite savings are to be forthcoming, the public must be left with sufficient income after taxation to make individual saving possible; and saving must also be made worth while, which means that people must not be deprived of the fruits of their saving either by excessive taxation or by an inflationary rise in prices". Clearly, success in the battle against inflation in Europe is of direct importance to the under-developed countries.

For most countries of the world 1955 was a year of remarkable achievement. In Western Europe the increase in the total output of goods and services (at constant prices), which had amounted to 5 per cent both in 1953 and in 1954, rose in 1955 to about 6 per cent; and in the United States, the gross national product, which owing to the recession had declined by about 2 per cent from 1953 to 1954, rose again in 1955 by over 6 per cent. It is a notable fact, the report points out, that industrial production, which shows greater fluctuations in the course of the business cycle than does the gross national product, has expanded more steadily in Western Europe than either in Canada or the United States. In Western Europe not a few countries—among them Austria and Western Germany—increased their industrial output by 10 per cent or more; such rates of growth are, however, exceptional and unlikely to be sustained over a protracted period. More and more countries are coming to the end of their resources, especially of manpower, and they will, therefore, be dependent in future mainly on their success in raising productivity.

An important characteristic of the post-war economic expansion in the whole non-communist world has been its manysidedness, viz. that it has not been confined to industry but has also included housing, agriculture, services and foreign trade. During the post-war years the volume of agricultural output in North America has remained stable at a level about 40 per cent above pre-war. In Western Europe, agricultural output, which at the end of the war stood at rather less than three-quarters of the pre-war level, is now about a quarter above that level. In some Latin-American countries, and also in Australia, New Zealand and

South Africa an expansion of food production has made it possible to improve the feeding standards of the population. "In a number of other countries (including India, Burma, Indonesia, Egypt, the Philippines and Japan) agricultural output has also risen, in some cases to a remarkable extent, but as a rule the increase has been barely sufficient to prevent a decline in the amount available per head to below the pre-war level". Agricultural products play still an important part in foreign trade though Western Europe imports now less foodstuffs than before the war. But the international exchange of other commodities has greatly expanded and the volume of foreign trade is now 60 per cent greater than before the war.

The outstanding feature of 1955 was "the superimposition of the effect of an economic boom in North America on the strong expansionary forces already at work in Western Europe." This expansion was stimulated neither by the needs of reconstruction as in the immediate post-war years, nor by any extraordinary increase in government expenditure as after the outbreak of the Korean war, but "rather in the nature of an orthodox investment boom characterised by an intense demand of both industry and consumers for durable goods." This development was not unaccompanied by strains, notably in the metal-using industries, and the balance of payments of some countries (in Western Europe the Scandinavian countries, the UK and Austria) was also affected; but production was not really hampered by shortages with the exception of labour. A particular danger of the present over-full employment is that "rapid increases in money wages may inflate both costs and total demand and thus cause a fresh price rise". An excessive speeding-up of activity through unrestrained credit expansion though it would inevitably come to an end through lack of real resources might well be enough to threaten the relative stability of currency values. It has, therefore, been clear that everything possible must be done to moderate the boom, but without weakening the forces making for healthy expansion. The authorities have, therefore, abstained from re-imposing direct controls either internally or externally. Trade liberalisation has been extended and restrictions on foreign payments have been further relaxed. While less has been heard recently about a return to convertibility, further practical steps have been taken towards the freeing of international trade and payments." This progress would not have been possible had not the authorities continued to apply flexible credit policies—which under the prevailing boom conditions has meant credit restraint, including higher interest rates; such measures have been applied even by those countries which had a surplus in their balance of payments (e.g. Belgium, Western Germany, the Netherlands, the United States). The report points out that the relatively high cost of credit seems to have rendered unprofitable the speculative accumulation of stocks and as a result "the overall level of commodity prices has shown little change now for nearly four years". But monetary policy cannot work alone, without regard to other forces, in particular the requirements of governments, comprising the financing of budget deficits and of nationalised industries and of officially sponsored programmes, e.g., for housing. This means that the Governments should abstain from inflationary methods of

financing, but "usually this is not enough, if the private economy is to develop and maintain a high level of investment for productive purposes, other claims must be kept within reasonable limits, and in a great many cases this means that public expenditure should be curtailed".

PLANNING IN NEPAL

DR. Y. P. PANT

(Member, Nepal Planning Commission)

AS in any other country, in Nepal the need for an integral planning is quite imperative. Since in any over-all plan agriculture should occupy an eminent place, an attempt is made here to present the problems of agricultural planning in Nepal in the context of the basic problems facing the country and of the assessment of the potential resources—both financial and otherwise.

It is desirable to explain the main agrarian problems, in the context of the general pattern of production. Ordinarily, Nepal is an agricultural country with surplus production of food and raw materials in normal years. But in 1955, it is said that there was little improvement in the country's economic situation. In spite of the decline in the prices of consumer goods in India, prices in Nepal of such goods as cotton textiles, sugar, salt, kerosene etc., remained high on account of heavy rains and floods which restricted further the limited transport facilities. Prices of Nepal's exports—jute, oil-seeds, paddy etc.—fell continuously. As the Consultative Committee on Co-operative Economic Development in South and South-East Asia (Singapore) in its fourth annual report in 1955 has stated: "These price changes meant a worsening in the terms of trade and brought a further depreciation in the Nepalese muhar in terms of the Indian rupee".

In spite of the country's substantial assets in the form of mineral resource and hydro-electric potential, the general economy (more particularly the agricultural economy) has been quite backward. The country's average density of population, which is only 155 per square mile, need not cause any concern. On the contrary it may suggest that the problem is not one of high density but of under-utilisation of existing resources.

What are the basic deficiencies from which the country's agriculture is suffering today? Absence of reliable statistical data deter us from precisely examining all such factors. A rough description is, however, just possible. Problems like the regional food deficit (particularly in the hilly regions), low production of both agricultural and other raw materials, primitive system of farming and other implements, shortage of roads, antiquated and diverse land systems, absence of crop planning, difficulties of marketing agricultural produce, absence of rural credit and other facilities are the pressing problems of the day. Apart from these, excepting in a few cases in the Tarai, the land is cultivated by small peasant families, and as two-thirds of the land belongs to big landlords and Birta-owners, most cultivators are tenants. Forty per cent of all agricultural land is believed to be under the Birta system (rent free). Though 80 per cent of the cultivated land is under tenancy, the problem of land reform has come to the fore only recently.

It is germane, at this stage, to consider the adjustment of the different patterns of priorities in the country's agricultural planning in relation to the allocations for agricultural development in Nepal's draft outline of the first Five-Year Plan, as announced by King

The report is guarded in its prognostication of future trends, but admits that "it is not impossible that a change in the business trend will set in before long". New problems will then arise, but "there is no reason to think that these cannot be mastered".

Mahendra on October 7, 1955. Rightly has the development of transportation and communication received the top-most priority in the Plan because of the country's topographic structure, and of its only 273 miles of high-ways. Consequently, more than 30 per cent of the total has been tentatively allocated to the development of transport and communications. The only way, therefore, of eliminating primarily regional food scarcities and, secondly, most of the economic difficulties, is by a proper type of country-wide transport co-ordination.

The Draft Plan also reasonably provides for geological, aerial and cadastral surveys. The cadastral surveys will enable the country to be properly mapped for the first time and help to demarcate various types of land, to improve the administration of forests and other public lands, to distribute expropriated lands among the landless, organise agricultural credit and classify land according to its productivity for revenue purposes. As Nepal lacks carefully collected statistics, the allocation of about 7 per cent of the total expenditure to such surveys is quite justified.

The Plan aims at increased production in the agricultural sector through irrigation and agricultural extension schemes, and puts adequate emphasis on development from below. It proposes to set up development sectors in 16 districts comprising both Hill and Tarai areas in five years. Forests will get about 2 per cent of the total outlay. Pilot projects like the Rapti Valley Multi-purpose Development is expected to help in solving unemployment and food shortage as well as to demonstrate how, in future, many Nepalese valleys can be successfully developed through multi-purpose projects.

The financial allocations (see table on next page) in the Plan are both inexhaustive and meagre. No doubt, today, in view of the inflationary trends arising more particularly from the adverse exchange rate of the Nepalese currency against Indian currency, provision of necessary finance has proved to be a task of major difficulty. It is clear that the Government seeks to tap internal sources and to secure external aid. It is also quite definite that a process of foreign aid collaboration is expected to be made in this Draft Plan, which has yet to be finalised. Be it noted that recently (March 17) after the announcement of the Draft Outline, the Government of India has offered an aid of Rs. 10 crores to Nepal partly to finance her first Five-Year Plan and that the 1956 allotment by the US International Co-operation Administration totals two million dollars divided equally between development assistance and technical aid.

It appears to me that the pattern of allocations, which embraces agricultural economy (including transport) to the tune of about 60 per cent of the total outlay should be met primarily by internal revenues and foreign aid. An improvement in administration would increase the present yields of customs duties very substantially. Immediately the introduction of a tax on agricultural income, besides yielding more revenue, would also correct the inequity of present land taxes.

Statement of Cost in the Draft Outline of the Plan

Subjects	Total Cost in Lakhs of Rs.	External Cost	As a per cent of Total Cost
1. Agricultural and Village Development	3,00.00	1,00.00	13.95
2. Agriculture	27.05	—	.65
3. Rapti Valley Devpt.	1,75.00	67.00	8.14
4. Forest and Products	39.00	—	1.80
5. Industries	2,50.00	—	11.60
6. Transport and Communications:			
(a) Roadways	4,80.00	2,40.00	22.32
(b) Railways	36.00	—	1.65
(c) Airways	1,09.00	50.00	5.06
(d) Ropeways	18.00	18.00	.88
(e) Tele-communications	9.00	9.00	.44
(f) Engineering Schools	8.00	—	.36
7. Power	3,00.00	3,00.00	13.95
8. Irrigation	1,50.00	1,00.00	6.98
9. Education	30.00	—	1.38
10. Health	50.00	—	2.30
11. Rehabilitation	25.00	—	1.18
12. Basic Survey	80.00	80.00	3.92
13. Cadastral Surveys	60.00	—	2.76
14. Mining	7.00	—	.28
15. Contingency	10.00	—	.47
TOTAL	21,50.00	9,75.00	100.00

The recently announced scheme of the Birta (rent free) land tax alone, if put through, is expected to add about 15 lakhs annually to Government revenue. Revenue from forests can also be greatly expanded by honest, efficient and incorruptible management of forests. It is remarkable that today with half the forest area of Nepal, Uttar Pradesh in India produces ten times its forest revenue. Besides these, imposition of new taxes

like betterment tax, income-tax, sales tax etc., will also contribute to the finances of the Plan. In the context of the favourable help of countries like India, the USA and other international organisations the outlook for the foreign aid is also quite rosy.



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The Manager,

THE HINDUSTAN TIMES
NEW DELHI.

Economic Report from the U.S.

DEADLOCK IN THE STEEL INDUSTRY

(BY GUY SIMS FITCH)

NEW YORK, July 10.—While attention has centred recently on the deadlock in the labour-management negotiations in the steel industry, little note has been taken of the fact that American workers in other industries have been obtaining better contracts this year than ever before. So substantial have wage increases been, that even unions which used to follow the pattern set by the steel industry are going ahead this year with their collective bargaining without waiting for the outcome of the steel dispute.

A study by the Bureau of National Affairs, a private research organization, shows that 58 per cent of all union contracts written in the first half of 1956 provide for wage gains of 10 cents an hour or more, with more falling in the 10-12 cents range. This is several cents higher than most of the raises won last year. These are straight wage gains and do not take into account the benefits accruing to the workers from such "fringe" concessions as, holiday, vacation, pension and insurance payments. The average wage in manufacturing industries is now about \$1.95 an hour. Within the 10-12 cents range predominant this year wage increases have been won in such major industries as construction, petroleum, and apparel. And only two weeks ago, at the very time that the steel negotiations were breaking down, the nation's copper miners won a pay raise of 24 cents an hour over a three-year period—10 cents this year, and 7 cents in each of the next two years. The new contracts in these industries also include higher pension and health and welfare benefits.

The steel workers have gone on strike rather than accept the initial proposal of the steel companies, namely a five-year agreement calling for a wage increase of 7.3 cents an hour in the first year in addition to higher fringe benefits. It is not surprising, then, to find that unions which still must negotiate new contracts with management in 1956 are basing their wage demands on the general wage trend of this year's settlements, outside the steel industry. Rubber workers, for instance, want a raise of at least 10 cents an hour, plus fringe concessions. They now are in the opening stage of their contract talks with the leading rubber companies. Railroad workers have indicated they will ask for a minimum wage increase of 25 cents an hour. Meatpacking and communications workers also are likely to place their demands high—at least at the 10-cent an hour level. Among the workers that still have a direct vested interest in the final steel wage settlement are those in the steel fabricating, the aluminum and the ship-building fields. Union contracts of many steel fabricators are up for renewal in August, and it can be expected that the United Steel Workers Union will want the fabricating companies to meet whatever wage pattern is established in the basic steel industry.

Since the Steel Workers Union also represents many aluminum workers, bargaining in the aluminum industry is bound to be influenced by the future course of the steel wage talks. The Union's contract with the Aluminium Company of America expires on July 31.

A settlement in the basic steel industry cannot help but be a factor, too, in wage negotiations between shipyards on the US East Coast and the Marine and Shipbuilding Workers Union. Bethlehem Steel, for example, is involved directly in ship construction. The wage gains won in American industry in the past few years have added considerably to the living standards of the American worker. The average earnings of production workers in manufacturing industries of \$1.95 an hour today, compare with \$1.77 an hour in 1953. Since the consumer price index—the measure of the worker's cost of living—has risen hardly at all in the past three years, the earnings of the average factory worker have increased some 10 per cent, in real purchasing power.

RECORDS & STATISTICS

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A Letter to the Editor

"WORLD COFFEE SURPLUS AND INDIA"

Sir,

I have perused the "Business Notes" published in your valuable journal of the 22nd June, 1956 relating to coffee under the heading "World Coffee Surplus and India" on page 981. I am afraid this gives a rather misleading account of the position. I am anxious that through your columns a correct appraisal of the situation be published to get the facts and views straight.

2. It is true that the Board has got a responsibility to see that adequate stocks are set aside for internal consumption, that such stocks should be marketed without violent (or wide) fluctuation in prices, and that the surplus to internal requirements should be exported in proper time. There can be no two opinions on these points.

3. India's internal demand is mentioned in your notes as "14,000 tons" whereas it is very nearly 24,000 tons; for the year 1956, it has been estimated at 23,835 tons. The quantities released for internal consumption in 1953, 1954 and 1955 were 15,184, 21,564 and 22,288 tons respectively, and the monthly average release for the last six months was 1902 tons.

4. The average price realised on exports in 1955 is shown as Rs. 5,522 per ton. This is probably based on the figures of the Director General of Commercial Intelligence and Statistics. It would be only Rs. 4,912 per ton as far as 1954-55 season's crop is concerned whereas your figure would seem to relate to the crop of more than one season but sold in the calendar year 1955. The average internal price is mentioned by you as Rs. 3,800 per ton. I am not aware of the source of this figure. For the 1954-55 crop released in the home market, the average price according to us is Rs. 3,221 per ton. The point is that this method of comparing the overall average prices realised on export with the similar average for internal sales without taking into account the qualities and types of coffee which made up the export and import releases respectively is misleading. For example, out of the 3535 tons sold for export from the 1954-55 crop, 1750 tons were Plantation, 1525 Cherry and 260 Robusta as against which the corresponding internal releases were 8518 tons Plantation, 4058 Cherry and 8435 Robusta. Only the surpluses over internal requirements in each type of coffee are being exported. According to market appreciation Robusta is inferior to Cherry which in its turn is inferior to Plantation. Quantities in each type vary largely, and each type of coffee has its own price level in the market. However, it is true that during the last few years, 1954-55 included, export prices were substantially higher than the internal prices.

5. The statement that "during the last few years it has been the practice of carrying forward a stock of around 5000 tons from the old crop 'as an insurance against' shortage in the first few months of the new season" besides being factually not quite correct reveals

that the need for this carry over has not been properly grasped. I give below the stock of old crop carried forward at the end of the calendar year during the last few years:

1950		2319 tons
1951		844 "
1952		466 "
1953		1363 "
1954		6920 "
1955		4818 "
1956		3655 "

6. The 5400 tons sought to be preserved as carry over at the end of the year 1956 represents the 'normal' estimated requirements of the internal market in the early months of the following year, that is 2 months' requirements of Plantation and Cherry and 4 months' requirements of Robusta. Part of the previous years' crop has to be used for feeding the internal market till adequate quantities of the new season's coffee get ready and are actually available at required places for marketing. According to past experience, the pool begins to receive Arabica Coffee in sizable quantities by the end of December, and Robusta in February-March. Some time will be necessary for curing, grading assessment, bulking and various other processes including notice of sale to trade, before the coffee could actually be exposed at auction centres in lots for sale.

7. There is one other point in regard to the availability of the new season's coffee for the internal market. The Coastal stocks will have to be first liquidated to avoid heavy balances being carried inland for preservation before the break of monsoon. It is therefore the Coastal stocks that have to be operated upon for the exports in the early months of the year. The pressure against the Coastal stocks for exports will begin to ease only when the tempo of curing goes up and there is a build-up of sufficient quantity to feed the internal market also. Till such time we have necessarily to rely on the previous year's crop for taking care of the internal needs.

8. A point is made that there was perhaps a "wasteful accumulation of stocks", and the Board and the Government should have been alive to their responsibility towards preventing this. This is a very serious allegation to make. It is true that the crop has been heavy this year beating all previous records. But if it is conceded that coffee required for the internal market has to be kept by and coffee for the carry over as mentioned above has also be set aside, the points for consideration would therefore be what were the surpluses for export and when did such surpluses manifest themselves. Did the exports fall short of the surpluses? I set out the position as in February and April as it emerged after a scrutiny by the Marketing Committee of the Board.

Estimated Exportable Surplus Out of 1955-56 Crop

As Assessed by the Marketing Committee

	In February 1956	In April 1956
1. Carry over of 1954-55 crop to 1956	3,659	3,672 tons
2. Anticipated receipts into the pool of 1955-56 crop ..	28,795	30,000 "
TOTAL	32,454	33,672 tons

Sales and Reservations

3. Quantity sold for export in January out of 1954-55 crop	275	275 tons
4. Estimated requirements of internal market during 1956	23,850	23,850 "
5. Reservation for carry over to 1957	5,400	5,400 "
TOTAL	29,525	29,525 tons

6. Estimated Exportable surplus out of 1955-56 crop ..	2,929	4,147 tons
7. Quantity earmarked for export by the Marketing Committee and approved by the Board	2,700*	4,100† "

Note: (1) The difference in the figures shown against column (1) above represents the gain-in-weight.

† This is inclusive of the 2700 tons referred to at*.

The surpluses were 2929 tons and 4147 tons at the end of the two periods, and the decisions taken were just to sell these for export. The point I wish to make is that the Board could not in the face of facts and cir-

cumstances available to them when they reviewed the position each time, earmark larger quantities for export. There was therefore no question of accumulation of stock, wasteful or otherwise.

In the last paragraph of your note the world coffee position is adverted to. I can only say that there are divergent views on this subject. World coffee actuals have widely differed among the forecasters and if you like I could send you some recent articles in foreign journals questioning the accuracy of the estimates made by the Department of Agriculture of the United States, the Brazil Coffee Institute etc. It is very difficult to make an accurate estimate of the coffee crop and I understand that this disability is not peculiar to Indian coffee. If the idea is, as the last sentence in the note would seem to suggest, that we should explore and exploit as many export outlets as possible, this is being done. We shall be glad to examine other suggestions too.

Finally, a point is made about the 'minority voice' of the growers in the new Board. I may mention that apart from the provisions in the Coffee Act, as a matter of fact 17 members out of the total 33 in the Board, excluding the Chairman, are planters, owners of coffee estates or have substantial interests in coffee plantation. In the old Board this number was 15 out of a total of 30. In the Marketing Committee, which deals mainly with the marketing policy, the estimates, surpluses for exports etc., out of the 10 members excluding the Chairman, five are direct representatives of growers, one a Curer member who is also a large coffee grower and one a trade member who has large interests in coffee plantations also. Therefore the alleged helplessness of the growers in the deliberations and decisions of the Board would seem to be more imaginary than real.

Thanking you,

Yours faithfully,
K. SRINIVASAN,
(Chairman),
Coffee Board,

Bangalore
Dated July 5, 1956.

The Business World

SABOTAGE ON MODERNISATION

By
CROESUS

A JOINT statement has just been issued (at a Press conference) by five well-known persons connected with the handloom industry, of whom the most prominent is Mr. Somappa, whose work for the handloom industry at Yemmiganur (Andhra) has elicited praise from not only the highest official circles in this country but even from eminent visitors from abroad. The main thesis of this necessarily important statement is that the introduction of powerlooms, in the handloom sector, would mean "large-scale displacement of handloom industry". According to the signatories to the statement, powerlooms are "the greatest menace to the handloom industry", because, while they are free from the handicaps and financial strain of a cotton mill, they are not denied the facilities and benefits enjoyed by cottage industries. They apprehend, therefore, that once the powerlooms get a foothold in the villages, they will clean wipe out of existence the handloom industry. This, they declare, would be running counter to Government's avowed policy of helping the cottage and small-scale industries with a view to ending unemployment and underemployment in the villages. These protagonists of handloom also protest against the proposed issue of licences to mills to instal an additional 14,600 looms in the name of exports, arguing that, inasmuch as permission to mills to replace their old and worn out looms with automatic looms should itself enable them to compete in the export markets, there is no need for any further incentive by way of fresh licences for more automatic looms. Of course, as is only to be expected, they also make the tall claim that the anticipated increase of 1700 million yds. needed during the second Plan period "could easily be produced in the handloom sector alone". In effect thus, they do not approve of the Government of India's latest textile policy and would feel happy—they have, in fact, made the suggestion—if the Government were to take over the entire mill production and straightaway introduce State trading "in the interest of the consumer and for stabilising the country's economy by increased exports". Neither as a consumer nor as a student of economics do I think this to be either feasible or desirable. Much less do I share the misplaced optimism of these stalwart handloomers that the handlooms alone can provide the entire additional quantity of 1700 million yds. per year needed during the second Plan period. I know I would be branded an "unbeliever" (in the handlooms) for daring to say this, but I am sure events will prove all unbelievers like me to be realistic.

of the International Labour Conference which met in Geneva recently. For, at this gathering of 67 member-nations, I understand, there was some illuminating discussion on the problems which deter the pace of economic progress, in particular the short-sighted opposition to modernisation of the process of production. A notable feature would appear to have been the frank views of even representatives from socialist countries dismissing as unrealistic, nay even unpatriotic, all fears of the harm attributed to modernisation. Countries especially depending on exports, it seems, have become convinced that either they must go in for modernisation to keep step with, if not outstep, their rivals in the field or perish. It is heartening to find that Mr. Naval H. Tata, Indian Employers' Delegate, was able very effectively to put across this view:

Speaking on the ILO Director-General's report, a privilege which, I note, Mr. Tata seldom misses—and he has been representing our employers on the ILO continuously and ably for nearly a decade now—to avail himself of in order to make known the Indian—or shall I say Asian?—view-point, he is reported to have said: In these days of highly competitive international markets and in the context of technological improvements all round, the need to keep pace with technological progress elsewhere is a compelling necessity to ensure the very survival of the nation. If, in such a crucial decision of a country, trade unions offer passive resistance to schemes of modernisation of equipment and rationalisation of labour, on grounds of temporary displacement of workers, then that country must face the inevitable dilemma with which many countries had the misfortune to deal, namely, to produce more by modernising at competitive cost to serve the interest of consumer and maintain exports, by facing mutually agreed doses of rationalisation with the minimum of unavoidable unemployment, and survive, or to maintain uneconomic production at prohibitive cost to consumers, losing foreign markets by resisting retrenchment and modernisation unequivocally and perish. So long as the workers are allowed to share equitably in the resultant profit arising through higher productivity consequent on modernisation and rationalisation, the worker can hardly be justified in choosing the latter alternative. In the ultimate analysis, he is the loser if he chooses to do so, and yet it is tragic to find that he is not convinced of the former."

How true all this is? And Mr. Tata went on further to appeal to labour, especially Indian labour, in the context of our second Five-Year Plan, to subordinate its interests to the general upliftment of the masses and mark time, accepting the strait-jacket of a static wage policy, as his share of sacrifice for the motherland. It is possible that Indian labour, at least the reasoning section of it, will submit to this, and that would be a splendid gesture indeed. But will not even such meritorious sacrifice prove futile, if modernisation of the process of production is blocked by the blind devotees of a bullock-cart economy that most champions of our cottage and small-scale industries today verily are? And can nothing be done to avert the catastrophe?

All this is the same old story told over and over again, but there is one aspect of it that troubles me—and perhaps many more of my way of thinking—and it is the likely effect on the future economic development of our country of this wanton obstruction of anything modern and mechanical. In other underdeveloped and undeveloped countries, it is only the resistance of labour that one has to reckon with in resorting to mechanisation, automation or rationalisation, but in this country efforts at modernisation are also thwarted by a new class of vested interests, the champions of cottage and small-scale industries. I wish some of these were present at the 39th session

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WHICH CAPITAL FOR INSURANCE WORLD?

By

CROESUS

IF winter comes, summer cannot be far off. So, as the Life Insurance Corporation Act has come into force from the beginning of this month, the coming into being of the Life Insurance Corporation itself will not take long, although it does not seem to have been possible for the authorities to stick to their original programme of launching the Corporation much earlier. But even before the Corporation could come into being, the question of its venue has led to a controversy, Bombay and Calcutta each claiming the honour of having the Corporation located within their respective jurisdiction. When there are rival claimants, it is but natural for the claimants to put forward arguments in their respective favour. Calcutta has distinguished itself by being the first to enter the field and put forward its claims, thanks to Mr. R. N. Bangur, President of the Bharat Chamber of Commerce, Calcutta, who raised the issue in his presidential address at the last annual meeting of the Chamber, some two months ago. In the course of his address, he entered the plea that the location of the Corporation—actually he used the words “Head Office of the Chief Custodian” which only amount to this—should be in West Bengal if the interests of Eastern India with its major industries are not to suffer. Surely, the question of locating any organisation of all-India status cannot be decided in such rather parochial fashion. What is necessary in determining the location of such an office is not the interest of either Bombay or Calcutta, however important these cities are, but the interests of the entire country. Besides, there are a number of other relevant considerations as well that require to be looked into. Before proceeding to examine these, however, it would be better to note down the respective claims of Bombay and Calcutta.

Bombay's claim for the location of the Corporation may be summed up as follows:

1. Bombay is already well-known as the de facto commercial capital of India and the location of the Corporation here would facilitate consultations with the country's apex credit institutions, namely, the Reserve Bank of India and the State Bank of India, whose head offices are already located here.

2. In a democracy, it is numbers that count. Obviously, then, Bombay, which has not only the largest number of head offices of insurance companies (65 out of 149) but also accounts for the bulk of the total life insurance funds, (Rs. 175.37 crores out of Rs. 277.83 crores) must have the privilege of having the offices of the Corporation located in the city. As compared to Bombay's record, West Bengal's total of insurance offices and share of total life funds amount to only 31 and Rs. 56.47 crores, respectively.

3. Now that the Government of India has decided to make Bombay a Centrally administered area, the Corporation will rightly be under the direct jurisdiction of the Central Government, and, therefore, out of the controversial claims of any particular State.

Calcutta's claim to have the head office of the Corporation, on the other hand, is based on the following arguments:

(i) The fact that Bombay has already the Head Offices of two nationalised credit institutions must entitle Calcutta to have at least one of such institutions located in West Bengal.

(ii) As far as commercial importance goes, Calcutta is in no way less important than Bombay. As a matter

of fact, Calcutta's importance in some respects is even greater, inasmuch as it is the centre of some of India's major industries and foreign exchange earners, such as jute, tea, coal, shellac, mica, etc. The ready scope for investing life funds in these industries should be regarded by the authorities as a consideration of the utmost importance.

(iii) Again, there is the question of providing employment to refugees, a problem which is not as acute in Bombay. For this reason, as also for removing the impression that the Central Government has not given adequate attention to Calcutta, as alleged, the location of the head office of the Corporation in Calcutta would be both desirable and diplomatic.

On the face of it, it would appear difficult to make a choice between these rival claims of Bombay and Calcutta. But, if sentiment and political considerations are set aside and the practicability of the issue alone is considered, it seems clear that, notwithstanding the understandable claims of Calcutta, the case for locating the head office of the Corporation in Bombay is infinitely stronger. If the only two important justifications for locating the Corporation head office in Calcutta (namely, making funds available for investments in shares of jute, coal, tea and other industries, and providing jobs to refugees) could be equally effectively met by locating the office in Bombay, Calcutta should not nurse any grudge. This apart, if the logic of Calcutta's claims is carried to the extreme, Bombay might as well claim that, inasmuch as most of the industries of all-India importance are situated in West Bengal and Calcutta stands to benefit thereby, Bombay should at least be allowed to have the benefit of the location of these all-India credit institutions in the western region. Furthermore, any impartial observer will readily accept that, from the point of view of facilities for investment of funds, Bombay is any way to be preferred to Calcutta, for it has the biggest and the best organised stock exchange and money market in the country. Again, most of the apex organisations of the insurance industry also have been located in Bombay for years. The search for Custodians for various life offices, following the implementation of the nationalisation decision, revealed that about half the Actuaries (FIAs) in India are to be found in Bombay. Besides, Bombay has already established a reputation as the home of the headquarters of a large number of insurance companies. It would be easier, accordingly, for the Chairman of the Corporation to operate from Bombay than from any other centre. And, with so many of insurance offices having their own spacious offices in Bombay, the problem of accommodating a huge all-India organisation like the Life Insurance Corporation presents no difficulty, unlike in Calcutta. From the point of view of advice on both investment and medical matters also, Bombay can claim relatively more experience in the field than any other place in India, not excluding Calcutta. In short, by locating the head office of the Corporation in Bombay, it will be possible not only to ensure a continuance of the advantages that Bombay offers by reason of having been the oldest and the most important home of the business of insurance but also to extend investment and employment opportunities to people from other parts of India generally and of West Bengal in particular in view of its special claims. In other words, by locating the Corporation's head office in Bombay, the apprehended disadvantages to West Bengal would be more than offset by the assured advantages to all parts of India.

BUSINESS NOTES

THE NEW LOANS

The announcement of the Government of India's borrowing programme for the current fiscal year has had a good response not only because, to the extent that the timing and the terms of the loan have been more or less in line with the expectation of the market, but also because the announcement was not without an element of welcome surprise. Thus, whereas the market was expecting one medium-dated loan, Government have announced three loans, a short-dated one, a medium-dated one and a long-dated one, so that the requirements of every class of investors interested in gilt-edged can be met. The first, a 3½ per cent 1962 bond, with an issue price of Rs. 98 and a redemption yield of 3.62 per cent, is a short-dated loan that should appeal to banking institutions; secondly, there are medium-dated 3½ per cent National Plan Bonds, 1967, offered at an issue price of Rs. 98.8 and giving a redemption yield of 3.67 per cent, and these should appeal to banks as well as to other institutional investors, while the third, 3½ per cent 1974 loan, is a long-dated investment, with an attractive current yield of 3.81 per cent and a redemption yield of 3.87 per cent that should be most welcome to insurance companies, provident funds, trusts, local bodies and State Finance Corporations. It is true that, in the case of the last loan, as also in the case of the 3½ per cent 1962 bond the yield is slightly lower than that on comparable existing loans, but the running yields in respect of both the new loans are higher and institutional investors, why, even individuals who have a preference for gilt-edged investment, go more on the basis of the running yield than on the capital gain which is represented by the difference between the issue price and the face value. This is understandable, because one has to wait for the full duration of the loan to have the advantage of capital gain.

In deciding on the size, the terms and the timing of the new loans, the authorities have certainly shown their complete awareness of the conditions of the market and its needs. The general expectation was that the Central Government would come up with a loan for about Rs. 100 crores bearing a 3½ per cent interest at an issue price of between Rs. 98.4 and Rs. 98.8 and repayable in 12 years as in the past. Both in having raised the amount to be borrowed from Rs. 100 crores to Rs. 150 crores and having spread this amount over three loans, the authorities have taken the market unawares, and the market has unreservedly welcomed these surprise elements in the announcement. Because of this and also because of the fact that the loan is a cash-cum-conversion loan (the loans could be exchanged for the 3 per cent 1967 loan), the response to the borrowing programme is assured. It is well known that the Reserve Bank has, in its investment portfolio, a major proportion of the Rs. 114.07 crores, the amount outstanding against the 3 per cent 1957 loan.

Perhaps the only adverse comment against the announcement of the Central Government could be that the prevailing conditions in the money market are not exactly propitious to a borrower. For, although the slack season should have emerged by now, according to past experience, the demand for funds has not yet greatly abated, nor is the supply of funds so plentiful as fully to meet the continuing needs of borrowers. This is clearly reflected in the prevailing rates of inter-bank call money and house money which are still at about 3½ per cent as compared to only 1½ per cent at this time last year. Nevertheless, informed sources in the money market do not entertain fears about the success of the loan, although they say that the response can only come more from institutional investors than

from individuals. This suggests the need to compile a table showing the response of institutional investors and individuals to Central Government loans at least since the beginning of the first Five-Year Plan.

ON POCKETS AND PRICES

IT WAS reassuring to hear the Union Minister for Commerce and Industry make a categorical statement, in the course of an address to a conference of industrialists, business men and journalists in Madras, on July 8, 1956, that he was not “unduly alarmed” at the rising trend in prices of food products, as he was sure that such could be checked by administrative methods. Giving his view of the causes for the recent rise in prices of food products, the Minister referred to ‘pockets’ in the country where stocks might have been hoarded in anticipation of prices going up. He did not, however, believe that there was anything like a large-scale country-wide cornering of food grains and textiles. He also chose to make a subtle distinction as regards the degree of price appreciation, as witness his observation that there were ‘pockets’ where undoubtedly prices had gone up but were not ‘galloping’.

While explaining how Government would tackle the problem and check the rise in the price trend before it got out of hand, the Union Minister instanced Government action in respect of rice when, with a view to bringing down its price, the Food Ministry had contracted to import two million tons of rice from Burma. He even pointed out that it might become necessary to subsidise its sale and added that it would be done to keep internal prices under check. For, he said, “any price trend which indicated a rise was something to be watched carefully, particularly when you have a planned economy and a large amount of deficit financing”.

The talk about rise in prices naturally led to cotton prices being discussed at some length. While on this, strangely enough, the Union Minister referred to the price of American cotton, of fine variety, and said that it was “a stabilizing factor”! At a time when American cotton policy, especially in reference to its price, has become a target of severe criticism by all cotton-producing countries, this remark that the American cotton price is a stabilising factor, and that too coming from a responsible Minister, should be particularly heartening to cotton policy makers in the States. However, his reference to the supply and demand position as more or less coinciding and consequently not justifying Governmental action suggests that the stabilisation has taken place without any extra help from outside!

In reply to a question as to when prices could be expected to show a downward trend, Mr. Krishnamachari rightly said: “Our surpluses are marginal. We cannot help increases in prices, unless the margin is increased to limits of safety”. It is in this context that the Government's decision, announced last week, of importing 40,000 bales of American cotton gains added significance. Throughout the last cotton season, the new crop has been flowing in dribbles for some reason or the other and, although the monsoon this season has so far been more than satisfactory, the authorities are not inclined to take too much for granted. Hence, with a view to offsetting any tendency for a sharp rise in prices arising out of scarcity of quality cotton, they have taken the latest step to pave the way for the inflow of American cotton, which might, in the words of the Minister, “help increase the margin of surplus to limits of safety”, thereby preventing prices from ‘galloping’.

Memories of Government action in curbing speculative excesses in some forward markets are too recent to need reiteration. Those who had to contend with Government intervention know only too well what the Minister had in mind when he said: "there are a few other steps that can be taken". But, in the interests of all concerned, it is to be hoped that there would be fewer 'pockets' of price appreciation.

THE METAL BOX COMPANY

IN THE latest annual review of the progress of the Metal Box Company of India Limited, the Chairman, Mr. H. Chiswell Jones, had the pleasant task of conveying to the shareholders the happy news of a return to the higher normal profit levels which prevailed when the share capital of the company was first made accessible to the public. There was an increase in sales of about Rs. 1½ crores and prospects of turnover in the current year are still brighter. Another feature of prosperous working conditions was peaceful industrial relations. The liberal labour policy adopted by the management is responsible in a large degree for this result and it is reflected in the conclusion of a prosperity bonus agreement extending over the next three years. Technical training of staff with special reference to management jobs also proceeded on a larger scale. The second Five-Year Plan outlay on horticulture in particular and the stimulus it would give to food processing industries promise higher levels of production and employment.

There is, however, another side of this picture. The Chairman has reiterated the management's anxiety over the state of supply of tins. Indigenous production continues to be inadequate and even after the additional rolling mill of the Tin Plate Company goes into production after procuring the extra tonnage of steel it requires, there will be a gap between demand and indigenous supply. At present the Metal Box Company has to import 50 per cent of its tinplate requirements. The precarious supply position has forced upon the company the need to lock up a considerable part of its liquid resources in maintaining a more than normal level of stocks of raw materials. The consequent strain in finances, coupled with rising prices of materials and cost of transport, has left no other choice to the management than to pass on a part of the higher costs to the consumer. However reluctant the management might be to transfer to the consumer any element of higher costs except direct increases in tinplate prices according to its conventional policy, it had no alternative because the capacity to absorb higher costs has its own limits. The fact that the Company's competitive position in the neighbouring overseas markets has been adversely affected adds to its financial strain. In this situation, relief by way of drawback of the Steel Equalisation Fund contribution on tinplates used in the manufacture of containers exported from this country seems worthy of sympathetic consideration.

GENERAL INSURANCE

AT A time when the hammer of nationalisation has fallen suddenly and heavily upon the life insurance business, it really requires unusual faith to take an objective view of the future. Mr. K. C. Desai looks at the prospect for general insurance with an attitude of robust realism and does not allow his vision to be clouded by what has happened in the life insurance field. Addressing the last annual session of the Indian Insurance Companies Association, he pointedly referred to the famous recent pronouncements of Dr. Matthai and Mr. Hugh Gaitskell on the relation between nationalisa-

tion and achievement of socialist society. Nationalisation was by no means a 'sine qua non' of the latter and in fact nationalisation in actual operation has proved how brittle were its foundations over a wide area. In course of time, it was but inevitable that Government's attitude to free enterprise would change and its integral place in the economy would be recognised once for all. Mr. Desai argued the obvious when he pointed out that general insurance business was too complex and involved a very wide range of variations in the terms of insurance contracts. As such it was least fitted to be taken over by the State. A categorical and unequivocal policy commitment was necessary from the Government in regard to its intention to allow it to remain under the charge of private enterprise.

PHYSICIAN, HEAL THYSELF

MINISTERS IN charge of portfolios involving employment of industrial labour have reiterated the claim "ad nauseam" that the Government would always strive to act as an ideal employer and set an example to employers in the private sector how to conduct themselves in the changed climate of our welfare State. It is also affirmed time out of number that in the co-existence of the two sectors no discrimination or favoured treatment would be shown and equal conditions of operation would prevail. Yet it is common experience how unequal treatment is meted out and while enterprises in the private sector are subjected to a multitude of regulatory controls public enterprises are granted exemption. How ideal an employer Government is has been shown in a telling manner in a recent case which came up before the Bombay High Court. Placed under an obligation to administer the law as it exists and not as it should be, the Bombay High Court had no other course but to uphold the Government's contention which virtually amounted to an arbitrary right to retrench an industrial worker without notice or payment of compensation.

The facts of the case are simple. An employee in the Government-owned ordnance factory at Ambernath who had about seven years' service to his credit up to March 1956, was retrenched without observing the formalities laid down in the Industrial Disputes Act and without payment of compensation at the rate of half a month's salary for every year's service or part of a year in excess of six months as provided by the Act. The normal rule of retrenchment is: last employed, first retrenched. The appellant's contention to the effect that he was singled out for retrenchment by reason of his trade union activities was considered by their lordships as irrelevant to the issues raised in the specific case. Government relied on the provisions contained in Article 310(1) of the Constitution which stipulates that every person who holds a civil post whether in the Union or a State Government holds it during the pleasure of the President or the Governor. Hence this case was taken out of the application of the Industrial Disputes Act and the appellant was lawfully retrenched. Technically this contention could not be refuted and had to be upheld. But the observations made by the Chief Justice are significant. The intention of Article 310(1) presumably is that it should govern persons employed in posts of administration. Parliament's intention in passing a special legislation is that industrial workers whether in State or private employment should be treated equally, that is, under the Industrial Disputes Act.

The peculiar manner in which the ideal employer behaved in this simple case invokes the exhortation: Physician, heal thyself!

Company Meeting

THE METAL BOX COMPANY OF INDIA LTD

CHAIRMAN MR. H. CHISWELL JONES'S REVIEW.

The 23rd Annual General Meeting of The Metal Box Company of India Limited will be held on Wednesday, July 18, 1956, at 59 C, Chowringhee Road, Calcutta.

The following is a copy of the Review by the Chairman, Mr. H. Chiswell Jones, which has already been circulated to the members.

SALES

During the year under review there was a high level of investment in national development. Investment activity created a rising demand for packaged goods—paints, pharmaceuticals, baby foods, processed fruits and vegetables, lubricating oils, etc. Enterprising salesmanship and efficient production enabled us to play a significant role in satisfying this demand.

National investment during the Second Plan will create an expanding level of demand and the supply of goods to satisfy this will be a condition both of the success of the investment programme and of continued political stability. To this end your company and its customers have a major contribution to make; the processed food industry in particular is strategically placed. It is to receive active encouragement in the Second Plan and the allocation for horticulture has been increased from Rs. 1 crore to Rs. 9 crores. These measures are to be welcomed as the addition of processed fruits and vegetables to the national diet will make for important improvements in public health and preventive hygiene. The development of this industry involves co-operation between large and small-scale industry since the safe preservation of food requires precision-made cans that only high-speed equipment—equipment inseparable from large-scale industry—can produce while at the other end horticulture is a part of intensive small-scale agriculture. This pattern of co-operation is already established between the canners, the horticulturists and ourselves.

During the year we made solid contributions to the food and the other industries we serve. In Bombay we commenced manufacture of open top cans for the canning industry. The work of the newly opened Research Division at Calcutta on materials and finishes contributed effectively to improved quality and our access to the extensive research laboratories of our Technical Consultants in the U.K. continued to provide an invaluable part of our service.

There are, however, some ominous signs: the programme of taxation, increases in railway and ocean freights and the rise in food prices are implied threats to purchasing power. Transport and the shortage of steel and cement are capable of braking the country's economic growth. We have made a good start in the current financial year but there is no room for complacency. We are planning in a spirit of optimism tempered with caution.

PROFIT

The increase in sales of nearly Rs. 1½ crores and the further diversification of our business resulted in a return to the more normal profit levels obtaining when the public first acquired an interest in the equity capital of the Company.

Prospects for the current year are good and it is hoped by virtue of increased turnover to maintain this profit

level notwithstanding the increased costs referred to later.

RAW MATERIALS

It has been another year of anxiety in the matter of tinplate supply. Indigenous tinplate production remains well below demand and although The Tinplate Company have installed an additional rolling mill, they have not been able yet to obtain the extra tonnage of steel to operate the mill. Supplies of imported steel have been promised for the middle of this year but even when this is regularly available and processed, the extra 10,000 tons of tinplate produced will still leave a large gap between supply and demand. Our own imports are currently 50 per cent of our total consumption.

Because of the time taken to obtain shipments from abroad we have had to raise our stock levels of raw materials thus increasing the strain on our finances. The price of materials and transport has risen during the year and part of the increases had to be passed on to our customers.

We are reluctant to pass on to our customers anything but direct increases in the price of tinplate, which is our main raw material, and we have met increased costs by production economies made possible by greater overall demand. Nevertheless, there is a limit to our ability to absorb price increases of a general nature and there are presently signs of inflationary pressures which could very quickly upset our price structure. Government are clearly aware of these and have indicated that they have weapons with which they can speedily deal with the problem should it assume serious proportions. I hope they will not hesitate to do so.

There are two aspects of recent price increases which I must stress. The first is the heavy additional burden on the Company's cash resources which follows from higher raw material costs and bigger inventories—the second is that we find ourselves completely priced out of a number of export markets in neighbouring countries. The cost to Government of a drawback of the Steel Equalization fund contribution on tinplate used for containers exported from India would be small—the gain in foreign exchange would be substantial; very much more so if extended to filled as well as empty containers.

INDUSTRIAL RELATIONS

From May 1955, when work was resumed at Calcutta after the disturbances there, we have had a period of complete industrial peace and at all factories negotiations and consultations with our employees have been conducted in an atmosphere of harmony and a keen desire to reach understanding. The excellent relations throughout the year have materially contri-

buted to the satisfactory trading results and I am happy to say that we recently concluded with our employees a Prosperity Bonus Agreement covering the next three years.

Training of staff continues to receive our careful attention. We have an excellent cadre of young Management Trainees and each year we send more Indian officers abroad for training. Our Technical Consultants recently sent the Head of their Staff and Personnel Division to discuss how they can best serve us in this all important matter of training. His visit was of the utmost value.

To a degree the success of the Second Five-Year Plan will depend on an adequate supply of technicians. We are making our contribution by offering facilities for practical training in our factories to students and graduates from universities, engineering colleges and technical training centres. We have also offered our co-operation to Government in the encouragement of training in scientific management.

Labour Welfare continues to engage our attention. We are operating a most successful Scheme under which sick leave not utilised during the year is offered by employees to a Pool and such leave, to a maximum of 4 months, may be used for the benefit of any employee unfortunate enough to contract T.B. In the treatment of serious cases the Company also meets 75 per cent of the cost of special drugs and medicines. In the two years working of the Scheme more than 20 employees have been completely restored to health and have been able to resume their employment with us. A Benevolent Fund is in operation at all Branches, the Company's contribution being based on the total amount subscribed by the employees. We have also extended recreational facilities to include sports, cinema shows and libraries.

DEVELOPMENTS AND NEW PROJECTS

We have made good progress in our new developments. The expansion in demand for aluminium pillarproof seals has been satisfactory and manufacture in Calcutta, foreshadowed in my last Review, has now commenced with consequent savings in freight costs to many customers.

Progress in the manufacture of polyethylene bags has continued, some printing machinery has been installed and more is on order. The potential demand for products made from this material is considerable and plans have been announced by two world famous manufacturers for the production in India of polyethylene flake—the basic raw material required.

Additional equipment for the manufacture of industrial components has now been installed—we have a substantial order book and a large number of new enquiries which augur well for the future. We are presently producing metal components for numerous manufacturers in the electrical, automobile, radio, duplicating machine and bicycle industries—the list will extend in the near future and we are proud of the contribution we are making to the expansion of these vital industries.

Plans have been completed for the erection of the new manufacturing and office buildings at Calcutta adjoining the new printing factory. We expect the new buildings to be ready in about twelve months time and this will permit us greatly to improve our

plant layout, provide adequate office accommodation and generally achieve better working conditions. An extension to the Madras factory is under consideration and we Plan to install additional printing equipment there to meet the growing demands for lithographed containers in that area. The Research Division in its first year of operation has made a valuable contribution towards the improvement of indigenous metal decorating materials. The Division has established close technical liaison with our principal suppliers and standardized numerous specifications covering both supply and application resulting in improved container quality. In line with our policy of purchasing indigenous materials wherever possible, the Division has assisted suppliers in satisfactorily producing a number of materials hitherto imported—others, still under test, show considerable promise.

I wish to acknowledge our indebtedness to our Technical Consultants, The Metal Box Company Limited, London, for their continued advice and guidance in all matters affecting the progress and well-being of our Company. We are most fortunate in being able to call on their vast store of knowledge and experience.

STAFF

This has been a year of intense activity and unremitting effort on the part of the staff. The excellent results achieved would not have been possible without their sustained enthusiasm and loyal support. The Board join me in expressing our thanks to them all for their splendid efforts.



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Association Meeting:

GENERAL INSURANCE HAS BRIGHT FUTURE

Shri K. C. Desai's Optimism

"I visualise a bright future for our industry, since the scope for insurance companies to add to their premium income, by developing new lines of business as well as by improving further the lines in which they are already engaged, will be growing daily with the progressive implementation of the various schemes for the economic development of the country", said Shri K. C. Desai, Chairman of the Indian Insurance Companies' Association, Bombay, presiding over its 28th annual general meeting today.

Shri Desai, however, added that "the supreme need of the moment is a complete change of outlook on our part—a determination to put our house in order—so as to ensure an abiding place for our business in the private sector". He said that this effort should be supported by an unqualified and categorical statement from the Government that "this business is to remain within the private sector so that insurance companies, reassured about their future existence, can go ahead with their programmes of expansion and equip themselves better for their vital role in the coming crucial years".

CASE AGAINST STATE

The year, continued Shri Desai, marked a milestone in the planned economic development of India and also saw far-reaching development in the direction of State ownership of which the amendment of the Constitution and the nationalisation of the Imperial Bank of India and life insurance business were proofs.

Shri Desai hoped that the hard school of experience would lead to a gradual reorientation of the Government's attitude towards the private sector and free enterprise would be allowed to make its proper contribution to the enrichment and diversification of the national economy. Shri Desai referred to the question of compensation and the advocacy of Shri A. D. Shroff before the Select Committee where he ably argued that the Government was offering only 35 per cent of the real value of the shareholders' interests.

Expressing satisfaction at the Government's decision not to nationalise General Insurance business. Shri Desai said that General Insurance is highly complex, demanding flexibility of management and adaptability to supply a tailor-made service with immense variations in insurance coverages to suit different types of risks. He sought renewed assurance from the Government that this business is to remain within the private sector.

FAIR PRACTICES

Referring to the problems posed by the nationalisation of Life Insurance business, Shri Desai said that in the process of adjustment, many companies might be forced to close down their branch organisations and may have, further, to lose the services of those who may have worked for them efficiently well over a long period. Besides, there was also the fear of competition for business among insurance companies becoming stiffer. In this general scramble he asked insurance companies to guard against the temptation of adopting questionable methods to circumvent the salutary provisions of the Act.

"With the increasing tempo of economic activity, there will soon be enough business to go round. But in the meantime, it is very essential that we take a long range view of things and concentrate our energies on effecting a radical rationalisation in the working of our business by eliminating all undesirable features that hamper our progress on the right lines" he added.

IMMEDIATE PROBLEMS

After announcing the formation of a reinsurance corporation which, with Shri T. K. Desai as the first General Manager would play a significant role in the development of the country's economy, Shri Desai pointed out that some of the provisions in the Companies Act would cause unnecessary hardships to insurance companies in their day-to-day work and increase their management expenses on account of the duplication involved. He urged the Government to exempt the companies from their operation so that the companies could continue to function efficiently, unhampered by needlessly irksome rules. He hoped that the State-associated insurance concerns would not enjoy an unfair advantage. Concluding, Shri Desai referred to the continued uncertainty regarding the taxation of profits arising from reinsurance contracts and hoped that the recommendation of the Taxation Enquiry Commission in this regard would be implemented.

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COMMODITY NEWS AND NOTES

ALL-INDIA FINAL ESTIMATE OF COTTON

According to the Directorate of Economics and Statistics, the All-India Final Estimate of Cotton for 1955-56 puts the current year's area and production at 20,230,000 acres and 3,998,000 bales (of 392 lbs. each) of cotton lint as against the partially revised estimate of 18,684,000 acres and 4,227,000 bales respectively for 1954-55. This shows an increase of 1,546,000 acres or 8.3 per cent in area and a decline of 229,000 bales or 5.4 per cent in production over last year. As compared to the average of the preceding five years' estimates, the current year's estimate shows an increase of 22.8 per cent in area and 14.9 per cent in production. During 1955-56 the production of cottonseed is estimated at 1,399,000 tons as against the partially revised estimate of 1,479,000 tons for 1954-55, thereby showing a decline of 80,000 tons or 5.4 per cent. The increase in acreage under cotton during the current year has been reported by almost all the cotton growing States and is marked in the case of Bombay, Hyderabad, Saurashtra, Madras and Madhya Pradesh. The increase in acreage has been attributed partly to favourable climatic conditions and partly to a high price of cotton at the time of sowing.

ALL-INDIA FINAL ESTIMATE OF SUGARCANE

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of sugarcane for 1955-56, puts the current year's area and production at 4,446,000 acres and 57,749,000 tons of cane as against the partially revised estimate of 3,994,000 acres and 56,923,000 tons for 1954-55. This shows an increase of 452,000 acres or 11.3 per cent in area and 826,000 tons of cane or 1.5 per cent in production over last year. Expressed in terms of gur, current year's production is placed at 5,859,000 tons as against 5,760,000 tons for 1954-55. The increase in acreage during the current year has been shared by almost all the sugarcane growing States especially U.P., Bihar and Punjab. This increase has been attributed mainly to better climatic conditions at the sowing time during the current year as compared to last year. This estimate includes, for the first time, information in respect of Travancore-Cochin State which accounts for 17,000 acres of area and 305,000 tons of cane (or 31,000 tons of gur) production during 1955-56. The production estimates for 1954-55 and 1955-56 in respect of Andhra and West Bengal (excepting Darjeeling district) are based on the results of random sample crop cutting surveys.

SUGAR PRODUCTION AND DISPATCHES FROM FACTORIES

The production of indigenous sugar and dispatches of it from sugar factories in the country amounted to 18.25 and 10.16 lakh tons up to June 15, 1956, in the current season as against 15.80 and 6.53 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on June 15, 1956, stood at 12.18 lakh tons as compared with 9.70 lakh tons last year.

TOBACCO EXPORTS

Tobacco exports have improved considerably. Exports during April were substantially higher than April last year when shipments totalled 896,643 lbs. valued at Rs. 25 lakhs. The UK which accounted for the bulk of the increase in shipments, imported 4.18 million lbs. of tobacco valued at Rs. 128 lakhs in April this year compared to 572,278 lbs., worth Rs. 16 lakhs in the corresponding month of last year. Exports to

Aden and Indonesia were also higher at 456,549 lbs. and 764,085 lbs. respectively. Tobacco exports improved to 88.93 million lbs. during the year ended March, 1956, from 85.03 million lbs. in the previous year and 71.5 million lbs. in 1953-54. Exports to Japan, steadily declining since 1952-53, recorded an increase in the last fiscal year. The quantity of tobacco exported to Japan in 1955-56 was 7.7 million lbs. compared with 5.8 million lbs. in 1954-55.

COTTON OILCAKE EXPORT

The Government of India have decided that license to export decorticated cottonseed, oilcake will continue to be granted freely up to the end of December, 1956, as hitherto. A notification issued by the Joint Chief Controller of Exports, Bombay, adds that it has also been decided to extend the period of validity of shipment of the quota of 10,000 tons released during the last period of undecorticated cottonseed oilcake up to the end of December, 1956, or till the ceiling is reached. The licensing procedure and other conditions will remain the same as hitherto.

TEA CROP IN SOUTH INDIA

South India produced a very large tea crop of 214.5 lakh lbs. in May, 1956, compared to 172.1 lakh lbs. in the corresponding month of last year. Output was only 102 lakh lbs. in April this year. This sharp increase in output more than offsets the shortfall in earlier months on account of bad weather, and total output in the five months ended May 1956 was higher at 543 lakh lbs. compared to 535.5 lakh lbs. in the corresponding period of last year.

CEMENT OUTPUT

Cement production in India recorded a sharp increase from 394,300 tons in February 1956 to 427,200 tons in March according to official statistics. Production in the first quarter of 1956 amounted to 1,222,600 tons compared with 1,120,800 tons in the corresponding period of 1955. Total cement production in 1955 was 4,496,062 tons, the highest since independence.

INCREASED OUTPUT OF COAL IN INDIA

The output of coal in India increased to 3,314,435 tons in May, 1956, from 3,224,493 tons in April, 1956, according to official statistics released by the Chief Inspector of Mines in India. Despatches of coal amounted to 2,871,114 tons in May, 1956, as against 2,866,348 tons in the preceding month. Coal stocks at pitheads amounted to 3,834,498 tons at the close of the month.

THE EASTERN ECONOMIST

(Subscription Rates)

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COMPANY AFFAIRS

ALUMINIUM LTD.

The aluminium industry as a whole had a record year in 1955, reaching new high levels of production, sales and profits. Aluminium Ltd., and its subsidiaries in Canada and elsewhere participated in the high levels of activity and the consolidated earnings were above all previous years. The Company's sales and operating revenues were \$412 million in the year under review compared to \$328 million in the previous year. The net income for the year, after providing for depreciation and dividends on preferred shares of subsidiaries, was \$48,193,952 which works out to \$4.83 for each of the 9,975,690 shares outstanding at the end of the year. On the same basis, net income for 1954 was \$34,970,025 or \$3.87 per share on 9,036,382 shares outstanding at the end of that year. Provision for "straight-line" depreciation and for depletion was increased from \$22,716,593 in 1954 to \$30,099,298 in 1955; current income-taxes increased from \$20,658,857 to \$25,958,416, while the amount reserved for future income-taxes was \$18,256,303 in 1955 as against \$15,500,020 in the previous year. Capital expenditures of \$71 million were made during 1955, bringing the Company's total capital outlay for the period 1951-55 to an aggregate of \$554 million. At the year end, the total assets employed in the business, after depreciation reserves, stood at \$953 million.

The quarterly dividend was increased in the second quarter of the year by 5 cents to 55 cents per share and this level was maintained for the remainder of the year. Total dividend disbursements were equal to \$(Canadian)21,076,253 compared to \$17,632,876 in 1954. The Company's operations were 6 per cent less than capacity levels due to interruptions of power deliveries to the Kitimat smelter and a water shortage in the Saguenay area of Quebec. The curtailment of production has extended to the current year and the tonnage loss is estimated at 10 per cent of this year's previously planned production.

THE METAL BOX CO. OF INDIA LTD.

The sales of the Company for the year ended March 31, 1956, were at the record figure of Rs. 4,94,54,931. The two main items of expenditure, the purchase of raw materials and salaries and wages, absorbed Rs. 3,16,87,833 and Rs. 1,00,44,503, respectively. The increase in sales of nearly Rs. 1½ crores and the further diversification of the Company's business resulted in a return to the more normal profit levels obtaining when the public first acquired an interest in its equity capital. Thus, after charging all taxation, there is a distributable balance of profit for the year of Rs. 31,82,608 compared with Rs. 22,02,178 last year.

The dividends due on the 6 per cent redeemable cumulative preference shares and an interim dividend of 6½ per cent on the ordinary shares were paid during the year which absorbed Rs. 1,32,750 and Rs. 7,18,750 respectively. The Directors have recommended the payment of a final dividend of 10 per cent on the ordinary shares, making 16½ per cent for the year, which will take another Rs. 11.50 lakhs. The transfer to general reserve of Rs. 10 lakhs is double of the previous year's figure.

The Directors hope that prospects for the current year are good and that this year's profit level will be

maintained. The recent price increases have been attributed to two reasons, (i) the heavy additional burden on the Company's cash resources which follows from higher raw material costs and bigger inventories, and (ii) the Company finds itself priced out of a number of export markets. The Directors feel that the cost to Government of a drawback of the Steel Equalization fund contribution on tinplate used for containers exported from India would be small—the gain in foreign exchange would be substantial.

THE SIMPLEX MILLS CO., LTD.

The accounts of the Company for the year ended March 31, 1956, show a profit (before providing for taxation and depreciation) of Rs. 24,80,548, to which is added the carry forward of Rs. 15,898, making a total of Rs. 24,96,546. Out of this amount, Rs. 5,43,000 have been allocated to depreciation, Rs. 8,97,000 to taxation reserve and Rs. 42,430 to staff gratuity fund which leaves available a sum of Rs. 11,04,017. The Directors have recommended a dividend of Rs. 12 per fully paid and consolidated share of Rs. 50, free of income-tax, which will absorb Rs. 10,08,000. The balance of Rs. 96,017 is proposed to be carried forward.

In accordance with the agreement between the Rashtriya Mill Mandoor Sangh, Bombay, and a majority of the millowners in Bombay, regarding payment of bonus to mill employees for the period 1953 to 1957, a sum of Rs. 12,39,429 has been provided in the accounts to be paid for the three working years 1954 to 1956. During the year, many items of new machinery were installed, most of which are now in operation.

THE BANK OF INDIA LTD.

The transactions for the six months ended June 30, 1956, have after making the usual provisions for contingencies, resulted in a profit (subject to taxation) of Rs. 39,66,372. To this amount has to be added Rs. 13,26,630 brought forward from the last account, making a total of Rs. 52,93,002.

This sum the Directors have disposed of as follows: In payment of an interim dividend at the rate of 12 per cent per annum (Rs. 3 per share) free of income-tax on the paid-up capital of Rs. 2,50,00,000 for the half year ended June 30, 1956, which absorbs Rs. 15,00,000; carried forward to the next half-year Rs. 37,93,002 subject to taxation.

BONUS SHARE ISSUE BY TATA OIL MILLS

At the meeting of the Board of Directors of the Tata Oil Mills Company, Ltd., held on July 9, 1956, it was decided to recommend a dividend of Rs. 3 per ordinary share for the year ended March 31, 1956. The Directors also decided to capitalise a part of the amount standing to the credit of the share premium account of the Company and to utilise it for issue of fully-paid ordinary bonus shares of Rs. 25 each, in the proportion of one bonus share for every five ordinary shares held. The issue of bonus shares is, of course, subject to the consent of the Government of India and approval by the shareholders at an Extra-ordinary General Meeting to be held in due course.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)				
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..	..
1948-49	322.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	..
1950-51	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..	..
1953-54	381.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0	..
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0	..
1955-56	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6	..
October 1955	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5	..
November " c	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9	..
December " c	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6	..
January 1956	323.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7	..
February " c	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0	..
March " c	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0	..
April " c	360.4	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0	..
May " c	305.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8	..
Week Ending 19-5-1956	350.5	483.5	385.0*	377.1	501.0	391.3*	91.2	100.8	85.0	124.3	..
26-5-1956	348.2	484.3	386.9	376.9	508.2	391.1	91.2	100.8	85.1	124.4	..
2-6-1956	353.8	478.0	385.4	376.7	506.0	391.6	91.2	100.6	85.1	124.4	..
9-6-1956	356.3	476.0	386.0	378.4	509.0	393.0	91.2	100.5	85.1	125.7	..
16-6-1956	372.7*	480.6*	396.8	377.9	513.1	401.1*	91.3	100.5	85.2	125.2	..
23-6-1956	373.6	480.6	395.0	377.9	522.6	401.4	91.3	100.5	85.3	125.5	..

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1940	286	303	243	132	339	471	372	146	309	168	136	134
1941	292	307	248	132	348	478	377	151	323	164	138	136
1942	298	313	257	132	349	434	372	153	325	165	145	139
1943	314	330	261	142	370	451	391	168	334	167	160	144
1944	321	337	260	148	381	441	380	150	330	151	154	141
1945	346	363	275	140	349	458	387	151	351	147	156	145
1946	342	359	244	138	327	408	373	139	341	148	140	138
1947	322	338	218	130	328	371	364	133	321	134	135	132
1948 July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
1949 January	318	334	226	139	319	404	378	146	334	—	138	133
February	321	337	224	137	316	394	—	—	333	—	—	—
March	334	350	230	139	325	398	—	—	340	—	—	—
April	342	358	239	140	338	409	—	—	354	—	—	—
May	—	—	—	141	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	7-7-1956			29-6-1956			22-6-1956			15-6-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	101- 9	98 15	100- 8	102-10	100-14	101-15	103- 4	101- 2	101-15	103- 8	102- 5	103- 0
Silver (per 100 fine tolas)	172-12	170- 5	171- 6	173-11	169- 9	171- 1	172-11	168-11	170-10	170- 8	169- 1	169-11

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67.11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,94	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62	1,253,86
1949-50*	(5,58)	(—)	(5,58)	40,02	647,04	687,06	59.59	50,53	415,38	1,152,94
1950-51*	1,128,94	24,00	1,152,94	40,02	624,70	664,72	56.31	57,21	458,47	1,182,40
1951-52*	1,163,21	17,19	1,180,40	40,02	625,27	665,29	54.64	63,98	488,36	1,217,63
1952-53*	1,189,84	27,78	1,217,62	40,02	584,40	604,02	52.89	80,22	458,08	1,142,78
1953-54*	1,114,84	27,87	1,142,72	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,133,95	23,03	1,156,97	40,02	648,90	688,91	56.47	102,25	428,61	1,219,17
1955-56*	1,197,05	22,98	1,219,17	40,02	656,52	696,54	51.35	106,88	553,20	1,356,47
1955-56*	1,339,39	17,08	1,356,47	40,02	662,98	703,00	50.95	108,56	548,61	1,350,17
Average of Fridays December 1955	1,350,04	10,13	1,360,17	40,02	679,49	719,52	51.37	108,52	574,69	1,400,73
January 1956	1,384,06	16,67	1,400,73	40,02	683,40	703,43	49.83	104,90	603,24	1,411,57
February " "	1,402,42	9,14	1,411,56	40,02	676,87	716,89	49.20	103,18	637,47	1,457,54
March " "	1,446,41	11,13	1,457,54	40,02	682,69	722,71	47.38	106,38	696,21	1,525,29
April " "	1,509,33	15,96	1,525,29	40,02	681,45	721,47	47.16	104,89	703,91	1,530,90
May " "	1,516,70	13,36	1,530,06	40,02	662,53	702,55	46.25	105,59	710,68	1,516,90
June " "	1,496,50	22,32	1,518,82	40,02	676,48	716,50	46.97	105,06	703,72	1,525,28
Week Ending 1-6-1956	1,501,84	23,44	1,525,28	40,02	666,54	706,56	46.35	104,05	713,86	1,524,27
8-6-1956	1,514,82	9,45	1,524,27	40,02	666,54	706,56	46.35	104,84	713,66	1,525,06
15-6-1956	1,504,31	20,75	1,525,06	40,02	666,54	706,56	46.35	106,33	713,66	1,525,06
22-6-1956	1,488,87	29,68	1,518,55	40,02	666,54	706,56	46.35	106,33	713,66	1,525,06
29-6-1956	1,474,67	28,27	1,502,94	40,02	646,55	686,57	45.68	107,60	706,96	1,502,94

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,63	4,21	1,72	2	6,36	96
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,86
1948-49*	222,17	6,62	80,53	56,52	365,72	15,33	410,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
1949-50*	(14,33)	(3,04)	..	..	..	..	..	..	..	..	(1)	..	..	..
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,88	7,51
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,57	9,87
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays December 1955	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,70
January 1956	53,56	12,51	59,90	17,49	142,53	41,28	193,81	16,82	9,33	56,74	2,82	43,77	51,13	13,21
February "	61,12	13,65	56,38	15,85	147,00	49,59	206,59	9,27	3,50	72,81	3,41	53,41	49,71	14,40
March "	57,51	37,22	49,25	16,93	159,51	48,99	220,30	11,26	9,53	65,31	1,60	73,88	39,44	17,83
April "	56,21	30,15	52,14	17,16	155,66	48,82	214,48	14,64	13,35	54,43	1,34	65,52	45,55	18,12
May "	61,44	10,27	50,36	13,04	135,11	53,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	16,61
June "	56,43	8,33	51,92	12,97	129,65	57,81	197,46	22,42	8,94	31,55	3,94	73,96	37,75	18,89
Week Ending 25-5-1956	56,69	9,13	51,21	12,53	129,56	53,90	193,46	19,12	8,86	30,69	2,19	78,53	35,38	18,69
1-6-1956	54,48	10,26	51,89	13,10	129,73	70,91	200,64	23,53	9,26	28,86	2,80	80,25	37,03	18,91
8-6-1956	52,47	4,93	50,18	12,47	120,05	66,31	186,34	9,54	9,04	33,10	4,55	74,92	36,33	18,57
15-6-1956	55,80	5,28	51,18	13,17	125,43	66,99	192,41	20,87	9,38	28,55	4,90	73,36	36,38	18,55
22-6-1956	62,58	8,01	51,88	13,02	135,49	66,71	202,20	29,81	8,64	32,27	5,02	71,62	35,99	18,85
29-6-1956	56,84	13,17	54,49	13,08	137,58	68,14	205,72	28,37	8,36	34,97	2,37	69,68	43,04	18,94

SCHEDULED BANKS

(Rs. in Lakhs)										
Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	62.08	339.74
Average of Fridays										
January 1956	638.02	411.70	1,049.72	36.96	56.92	8.94	533.75	130.85†	64.21	378.04
February	631.25	415.19	1,046.45	35.18	54.67	8.59	551.12	138.15†	66.56	364.86
March	622.44	415.29	1,037.72	34.83	48.43	8.10	589.55	144.16†	71.41	356.65
April	649.02	423.19	1,072.21	37.74	50.99	8.34	604.85	150.65†	71.04	393.43
May	638.35	432.68	1,071.01	37.76	48.68	8.15	614.22	153.14†	71.82	354.97
June	636.61	446.93	1,083.54	37.96	49.77	8.18	612.04	151.64†	71.20	348.65
Week Ending										
1-6-1956	638.50	441.22	1,069.23	37.31	50.07	8.17	614.90	153.25†	71.84	349.68
8-6-1956	636.36	444.21	1,080.57	37.41	49.42	8.12	612.82	156.40†	71.94	349.00
15-6-1956	635.32	446.72	1,070.35	37.65	49.25	8.12	612.19	151.18†	71.38	348.86
22-6-1956	634.05	449.63	1,072.68	37.38	48.26	7.98	609.26	150.52†	70.83	348.08
29-6-1956	638.12	452.88	1,091.00	40.07	51.83	8.50	611.23	146.24†	70.03	347.63

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday (1)	Money supply (2) = (3) + (4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Other deposits with Reserve Bank† (6)	
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	- 39.08
1953-54	1,920.63	1,311.77	608.86	599.16	9.71	+ 126.65
1954-55	2,180.96*	1,501.88*	679.09*	667.08*	12.01	+ 260.32*
May 1955	1,989.50	1,348.41	641.09	616.96	9.96	+ 7.19
June	1,988.42	1,343.74	644.67	623.43	10.03	+ 1.87
July	1,974.91	1,324.80	650.11	619.53	10.39	- 22.48
August	1,995.61	1,314.74	680.88	632.86	11.60	+ 4.47
September	1,965.49	1,309.69	654.71	632.36	11.70	- 5.43
October	2,008.47	1,331.40	677.08	635.72	11.12	+ 24.48
November	2,014.88	1,351.24	663.64	640.40	10.81	+ 24.22
December	2,047.15	1,365.87	661.28	650.14	11.14	+ 44.69
January 1956	2,094.21	1,407.67	686.55	674.12	12.43	+ 47.06
February	2,108.97	1,435.69	673.28	661.97	11.31	+ 14.76
March	2,180.96*	1,501.88*	679.09*	667.08*	12.01	+ 71.79*
April	2,227.77*	1,539.01*	688.76*	676.26*	12.50	+ 46.81*
May	4,224.99*	1,539.48*	685.51*	674.89*	10.61	- 2.78*

* Provisional.

† Excluding balances held on I.M.F. Account No. 1.

Source: Monthly Bulletin of Reserve Bank.

COUNTRYWISE DISTRIBUTION OF INDIA'S SEA AND AIR-BORNE TRADE

(Rs. lakhs)

	1952-53		1953-54		1954-55		1955-56	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
COMMONWEALTH COUNTRIES								
EUROPE								
United Kingdom	140.99	123.29	144.98	151.36	153.36	189.42	172.69	166.16
Gibraltar	—	4	—	3	—	2	—	2
Malta and Goza	—	4	—	7	—	7	—	7
ASIA								
Cyprus	7	56	3	57	5	55	12	63
Aden	59	9.32	32	9.04	1.43	6.84	2.07	6.28
Bahrein Islands	18.51	1.82	17.96	2.20	20.27	2.22	8.16	2.28
Kuwait	7	4.63	9	4.24	3	3.65	4	3.49
Qatar and Trucial Oman	2	89	1	80	1	1.13	74	1.36
Pakistan, Western	54	11.17	15	1.36	50	3.00	57	2.21
Pakistan, Eastern	12	2.34	11	50	13	1.94	41	66
Maldives	2	1	2	1	1	1	2	2
Ceylon	4.29	20.07	5.09	18.51	7.51	18.82	9.42	20.54
Singapore	12.60	15.76	16.35	8.05	15.56	7.17	13.84	8.03
Federation of Malaya	2.25	3.20	4.19	3.37	5.83	3.88	4.48	4.38
British Borneo	3	3	5	11	5	11	3	11
Hongkong	1.16	6.68	1.43	3.90	1.48	3.40	1.66	6.15
AFRICA								
Gold Coast	2	1.41	—	99	—	85	—	1.09
Nigeria	—	6.43	37	8.56	1.08	8.40	48	8.18
Union of South Africa	—	2	1	1	—	1	5	1
Swaziland	19	—	8	—	11	4	27	2
Rhodesia, Northern	82	50	19	98	50	62	6	62
Rhodesia, Southern	39	1.40	34	1.96	58	2.16	50	1.61
Zanzibar and Pemba	36	45	2.12	58	1.76	41	2.25	60
Kenya	20.57	6.57	15.32	6.03	18.39	6.81	21.85	6.06
Uganda	1.22	73	1.58	81	7	83	28	1.06
Tanganyika	1.98	3.67	1.15	3.37	2.47	4.47	2.27	3.69
Nyasaland	—	99	—	1.27	—	71	—	79
Sudan	3.99	6.14	7.48	5.12	3.05	7.03	12.68	5.62
Seychelles	28	11	65	9	64	8	67	8
AMERICA								
Canada	29.58	12.84	14.14	13.14	10.16	17.45	6.84	14.02
Trinidad and Tobago	95	39	79	39	1.58	47	48	40
OCEANIA								
Australia	12.38	16.99	25.83	17.47	19.76	24.54	13.47	24.82
New Zealand	1.06	2.86	1.58	2.68	1.89	4.54	2.48	4.58
Fiji Island	—	62	—	65	—	85	—	87
OTHERS	1.01	4.50	80	4.31	1.62	6.12	51	5.46
TOTAL COMMONWEALTH COUNTRIES	255.09	265.07	262.42	271.16	268.26	326.72	278.98	301.77
FOREIGN COUNTRIES								
EUROPE								
U.S.S.R.	24	85	60	1.15	1.81	2.12	6.21	3.26
Finland	1.81	26	1.89	13	2.15	18	2.70	34
Sweden	5.68	1.83	6.20	1.56	6.06	1.63	7.86	1.55
Norway	2.79	88	2.92	41	2.67	60	3.11	1.12
Irish Republic	2	2.50	4	5.31	1	7.67	—	5.82
Poland	26	4	16	15	4.24	47	43	33
Denmark	1.51	1.01	1.63	1.12	2.11	1.31	4.18	2.05
Germany, Western	23.96	12.45	31.59	11.69	40.68	15.23	60.27	14.98
Germany, Eastern	10	2	8	1	23	3	37	2
Netherlands	10.95	10.40	11.42	6.86	13.64	14.13	14.13	15.43
Belgium	6.90	6.68	9.43	4.60	10.64	6.62	12.08	9.10
France	14.01	5.69	9.94	5.36	16.35	5.32	15.54	7.11
Spain	51	51	48	5	1.04	21	53	48
Portugal	21	50	30	49	36	38	43	21
Switzerland	6.95	61	9.12	82	10.17	96	12.07	99

COUNTRYWISE DISTRIBUTION OF INDIA'S SEA AND AIR-BORNE TRADE (Contd.)

(Rs. lakhs)

	1952-53		1953-54		1954-55		1955-56	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Italy	12.84	10.89	23.84	5.13	20.52	6.56	16.50	9.59
Austria	1.96	42	2.51	5.11	2.13	33	2.59	40
Hungary	16	5	10	2	11	20	41	8
Czechoslovakia	1.35	1.18	1.14	3.14	1.25	1.67	2.89	1.33
Yugoslavia	9	11	7	2	16	2	29	24
Bulgaria	—	—	—	1	1	1	3	2
Roumania	—	3	—	—	28	4	32	1
Greece	4	44	9	26	10	28	11	30
Turkey	1	4.95	—	2.58	1	1.50	1	2.68
ASIA								
Syria	1	76	—	1.02	4	2.13	12	1.11
Lebanon	2	29	7	18	13	52	24	31
Muscat & Oman	61	82	49	68	55	67	70	64
Saudi Arabia	14.17	3.08	14.82	3.51	16.82	3.14	15.16	6.07
Iraq	2.05	2.10	2.57	2.45	1.83	2.77	2.26	2.20
Iran	2.50	2.07	2.04	1.53	4.20	6.37	14.44	5.20
Afghanistan	76	3.38	60	2.73	82	2.06	1.19	1.77
Burma	26.46	22.35	17.50	21.04	57.33	16.26	9.56	15.53
Indonesia	1.02	5.31	1.51	6.83	81	5.45	1.46	11.66
Thailand	7.72	4.39	45	3.63	75	2.30	48	3.22
French Indo-China	—	30	—	67	—	1.29	7	1.14
Philippines	36	1.77	25	1.12	18	98	22	1.84
Japan	15.99	31.98	13.22	23.99	20.58	16.27	33.37	30.22
Formosa	—	26	—	16	1.75	3	—	14
China	13.18	1.22	99	81	2.03	2.96	4.38	6.54
AFRICA								
Egypt	15.12	5.69	27.71	3.50	19.69	8.20	23.10	9.57
Tunis	—	35	—	28	4	30	10	14
Belgian Congo	2.05	38	1.15	21	2.35	27	1.14	19
Mozambique	5.95	94	4.48	68	4.44	74	4.50	75
French Somaliland	—	5	5	4	—	4	—	15
Ethiopia	2	33	35	2.29	1	3.31	4	3.76
AMERICA								
U.S.A.	183.07	112.59	80.05	90.73	82.22	89.23	39.30	87.12
Cuba	—	7.55	—	4.22	6.74	4.80	67	4.49
Netherlands Antilles	2.28	3	3.03	4	86	2	30	2
Mexico	23	66	72	12	10	11	12	19
Venezuela	25	19	42	10	81	10	31	—
Brazil	5	1.56	2	—	2	12	69	15
Paraguay	—	33	—	9	—	6	—	18
Uruguay	—	1.41	1	1.25	—	1.52	—	1.54
Argentine Republic	2.12	6.83	2	19.57	7	12.57	6	11.09
Chile	26	2.80	—	82	1.13	1.50	1.95	95
Peru	38	2.10	14	1.36	64	1.17	41	1.47
Ecuador	1	20	—	16	—	3	—	11
Bolivia	5	17	2	14	13	3	9	11
OCEANIA								
Hawaii	—	34	—	18	—	11	1	2
Other Islands in the Pacific	7	12	26	4	32	4	21	2
OTHERS	6	6.65	12	4.51	67	2.44	1.25	3.46
TOTAL FOREIGN COUNTRIES	389.82	294.17	286.70	252.05	364.79	257.43	370.66	289.46
GRAND TOTAL	644.91	559.24	549.12	523.20	633.05	588.24	649.64	591.23

INDIA'S OVERALL BALANCE OF PAYMENTS: 1951-52—1955-56

(Crores of Rupees)

	1951-52	1952-53	1953-54	1954-55	1955-56	5 Year Total
Exports f.o.b. values	730.1	601.9	539.7	596.6	642.2	3110.5
Imports c.i.f. values	962.9	633.0	591.8	681.6	747.7	3617.0
Trade Balance	-232.8	-31.1	-52.1	-85.0	-105.5	-506.5
Net Invisibles (excluding official donations)	+ 64.9	+ 80.5	+ 80.5	+ 77.5	+ 80.0	+ 383.4
Official Donations	+ 5.3	+ 10.8	+ 19.0	+ 15.8	+ 46.2	+ 97.1
Current Account Balance	-162.6	+ 60.2	+ 47.4	+ 8.3	+ 20.7	- 26.0
Errors & Omissions	- 45.0	- 25.7	+ 2.5	- 12.9	+ 2.8	- 78.5
Official Loans	+ 59.6	+ 35.1	+ 1.6	+ 0.6	+ 2.5	+ 99.4
Other Capital Transactions	- 20.6	- 51.1	- 20.3	- 13.2	- 11.0	- 116.2
Change in Reserves* (Increase—Decrease+)	+ 168.6	- 18.5	- 31.0	+ 17.2	- 15.0	+ 121.3
Capital Account (Net)	+ 207.6	- 34.5	- 49.7	+ 4.6	- 23.5	+ 104.5

CHANGE IN NET FOREIGN EXCHANGE RESERVES

Change in Reserves (Increase+ Decrease—)	-168.6	+ 18.5	+ 31.0	- 17.2	+ 15.0	-121.3
Change in Foreign Exchange Liabilities (Increase—Decrease+)	- 11.7	+ 37.9	+ 15.7	+ 11.3	- 5.1	+ 48.1
Change in net Reserves	-180.3	+ 56.4	+ 46.7	- 5.9	+ 9.9	- 73.2

INDIA'S OVERALL BALANCE OF PAYMENTS: QUARTERLY — 1954-55 AND 1955-56

(Rs. Crores)

	1954-55				1955-56			
	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-March	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-March
	1	2	3	4	1	2	3	4
Exports f.o.b. values	123.6	128.6	160.0	184.4	153.9	149.7	165.5	173.1
Imports c.i.f. values	159.4	164.6	172.2	185.4	176.7	177.0	184.5	209.5
Trade Balance	- 35.8	- 36.0	- 12.2	- 1.0	- 22.8	- 27.3	- 19.0	- 36.4
Net Invisibles	+ 17.6	+ 17.4	+ 18.1	+ 24.4	+ 14.4	+ 14.5	+ 24.3	+ 26.8
Official Donations	+ 3.6	+ 3.8	+ 4.6	+ 3.8	+ 8.4	+ 12.3	+ 11.3	+ 14.2
Current Account (Net)	- 14.6	- 11.4	+ 10.5	+ 27.2	- 0.5	+ 16.6	+ 4.6	+ 20.7
Error & Omissions	- 7.2	+ 11.4	- 11.6	- 5.5	+ 5.1	+ 22.5	- 9.6	- 15.2
Official Loans	+ 0.6	..	..	..	+ 1.0	+ 0.7	+ 0.5	+ 0.3
Other Capital Transactions	+ 17.5	- 18.2	+ 9.0	- 21.5	- 17.0	- 20.4	+ 0.8	+ 25.6
Change in Reserves* (Increase—Decrease+)	+ 3.7	+ 21.6	- 7.9	- 0.2	+ 10.9	- 2.3	- 8.3	- 15.3
Capital Account (Net)	+ 21.8	+ 3.4	+ 1.1	- 21.7	- 5.1	- 22.0	- 7.0	+ 10.6

Table IIA: Change in Net Foreign Exchange Reserves

Change in Reserves (Increase+ Decrease—)	- 3.7	- 21.6	+ 7.9	+ 0.2	- 17.2	- 10.9	+ 2.3	+ 8.3	+ 15.3
Change in Foreign Exchange Liabilities (Increase—Decrease+)	- 11.8	+ 9.1	+ 4.7	+ 9.3	+ 11.3	+ 9.5	+ 13.1	- 1.4	- 26.3
Change in Net Reserves	- 15.5	- 12.5	+ 12.6	+ 9.5	- 5.9	- 1.4	+ 15.4	+ 6.9	- 11.0

* In the capital account any decrease in 'reserves' is shown with a plus sign because of the accepted accounting practice of treating any decline in reserves as an inflow of capital.
Source: Reserve Bank of India Bulletin.

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ONE RUPEE

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The World Bank Mission's Report

ALTHOUGH the World Bank Mission's Report is not available in original, there have appeared this week authoritative press reports which must be deemed, in the absence of a statement to the contrary, to be true reflections of the original. At first sight, the Report will cause disappointment. It refers to the targets of the Plan as "somewhat too ambitious". It considers that the provision for deficit financing in the Plan is likely to be excessive, and urges "considerable caution in regard to deficit financing". In regard to particular policies, notably textile policy, it considers "the compromise formula unworkable".

Again it considers that insufficient attention has been devoted to exports, particularly cotton textiles and tea. Finally, it believes that the outlook in regard to the private sector's incentives is inadequate, and that changes should be introduced in the taxation of foreigners in India, and the area accorded to the private sector to induce "a leavening effect on the economy" through foreign capital. There is, indeed, praise enough for what has been achieved. The Report states: "The progress made by India in the first Five-Year Plan is not susceptible of expression purely in terms of rising national income and improving

conditions of life. It is reflected also on tangibles—a new buoyancy and hope, a new confidence and an awakening desire for self-improvement, all of which will help to give momentum to a continuing development programme. But this appreciation is qualified by the many changes which the Mission considers urgent.

The Eastern Economist has expressed at one time or another its views on many of the problems that are dealt with in the World Bank Mission's Report. For convenience those views are here repeated. It does not believe that the targets of the second Five-Year Plan are "too ambitious". Nor does it believe, given the will to production, that the volume of deficit financing proposed is unduly large. Again, it would accept the compromise formula on textile policy as being inevitable in the political conditions prevailing. It would argue against the World Bank, for the reasons given below, that there is no very large change possible in railway rates. On the other hand, it can endorse without qualification the view that the World Bank entertains that the public sector in India has taken on far more than it can perform; even where it has a capacity for performance, it has chosen to deprive the private sector unduly of participation in certain areas of the Plan where it is more efficient. On the volume of direct taxation which can be imposed, particularly on the foreigner, there cannot be two opinions. In a broad sense The Eastern Economist supports these views of the World Bank Mission while registering its opposition views on the size of the Plan and certain means of its implementation.

The evidence by which the Mission decides that the targets are "too ambitious" has not been produced. Apparently this is based on the disproportionately low targets of agricultural production which suggest inflation. There is increasing evidence that the targets of the Plan are likely to represent a minimum in this respect. If it should happen, as is by no means unlikely, that agricultural production should rise by 10 per cent by the end of the Plan beyond the targeted figure, the "ambitious" nature of the rest of the Plan and the limitations on deficit financing lose their relevance. Surely the answer on this point is to make the rise in agricultural production certain, not to devise means now for cutting the whole Plan back on the unproved assumption that this increment of 10 per cent "additional" in agriculture will not take place.

The attainment of the enhanced agricultural target will, in the last analysis, determine the volume of deficit financing possible. It is arguable that, to the extent that arrangements are made with the United States for larger buffer stocks of food grains and agricultural products, there would be an additional element of flexibility in the volume of deficit financing. Obviously, the fullest support should be given to the proposal made by the World Bank that these buffer stocks should be increased as far as possible. Since these are long-period loans from Commodity Credit Corporation of the United States, the additions of these buffer stocks need not impinge on our current balance of payment. But the order now contemplated for these buffer stocks will not admit of any reduction of the foreign exchange gap which results from expenditure on other imports.

It is important to recognise that the two major problems of the Plan—the foreign exchange gap and the gap in rupee resources—remain. No one has suggested that the existing arrangements for filling either gap have been adequate. The World

Bank's suggestions about a change of climate to attract foreign capital are welcome, but they cannot be very effective in the next four or five years. Surely the natural answer to the foreign exchange gap is the World Bank itself. Why has it not shown more interest in declaring its willingness to support India's second Five-Year Plan by loans on its own account?

The suggestion that the climate should be rigged for private foreign capital, while the World Bank is unwilling to commit its resources to a very large additional extent in India, is one of the most disappointing features of this Report. It is true that the last word has not been written on this point and detailed negotiations for loans are still possible; but there is something in the tenor of the Report which suggests that India will need to look far beyond the Bank for closing the core of its foreign exchange gap. The question is: Where?

On the rupee problem one might wonder whether the World Bank has correctly appreciated the volume of additional rupee finance that is possible from a rise in railway rates. It is extremely questionable whether anything like Rs. 100 crores additional can be obtained by such rises in rates. The political opposition to a rise in passenger fares will be very great. Some of this opposition is just. It is too often forgotten that, while railway rates are still relatively low by comparison with other prices, the services have deteriorated and overcrowding in third class travel in certain cases means that the services for which comparisons are made with pre-war conditions are of an entirely different kind. The Eastern Economist has argued strongly against the Galbraith Report in terms such as these. Again, if railway freights were raised, even if the rupees acquired were used entirely for production purposes, would the result be inflationary or otherwise? Almost certainly the effect on production would be to injure small industries in which significant changes in transport costs will push out a very large number of marginal firms. In the larger concerns, the capacity to pass on increased costs to the consumer will still remain. It will, therefore, appear that the additional freights will operate as an 'indirect' tax. On marginal firms the rise in freight will restrict output. Where it is passed to the consumer, it almost certainly will reduce other savings. Again, where it operates to reduce profits in commercial concerns, to that extent it operates to reduce tax revenue. If a rise in railway rates brought Rs. 20 crores net to Government resources, that would be a fairly good performance. Is it worth while to unloose all this tremendous disorganisation to obtain a meagre sum of something like Rs. 20 crores within five years; this could be easily obtained by alternative means of taxation such, for example, as the reintroduction of a stamp duty on cheques. As for congestion, the proper way to deal with congested traffic is to restrict unnecessary traffic, not to ration transport—essential and non-essential alike—by the purse.

The World Bank Mission has obviously not had time to delve deep enough into the effect of its own recommendations some of which, like this one, are attractive only on paper. But here at least is a record of views. It shows how inadequately the Government of India has stated its case. When will our Public Relations rise to the level required by our need of foreign assistance? If we cannot state our case well in India, how can we state it adequately in Washington, London and New York?

Suez and After

IT was an English judge of the Egyptian Court of Appeal who wrote in 1928 that "the Suez Canal cannot be detached from Egypt, and can only be controlled by whoever is master of his country" as well as of the Suez Canal. The historic change that has come over the scene with his dramatic nationalisation of the predominantly Anglo-French Suez Canal Company is a *fait accompli* to which the Western Powers may have to reconcile themselves sooner or later. If the 'calculated risk' that the U.S. and British Governments took in withdrawing, at an inappropriate time, their proffered aid for Egypt's Aswan dam project has turned out to be a veritable gamble, they have only to thank themselves for it, and no amount of economic retaliation or threat of naval intervention may help that gamble pay off. For, they may have to face the truth—so very unpleasant to them but wholly pleasant to the Arab world and to not a few Asian countries—that it is within Egypt's sovereignty to nationalise what, after all, is an Egyptian registered company operating a waterway in purely Egyptian territory. That even a conservative elder statesman like Rajaji who is no enemy of Britain should think that "if a canal is situate within the territories of any nation, that nation is entitled to the income arising out of that geographical fact," is not without its significance.

If the juridical aspect of the accomplished nationalisation of the Suez Canal Company cannot be easily called in question, President Nasser's double assurance of compensation at the market value of shares immediately preceding the unsuspected take-over and of freedom of navigation through the waterway in terms of the Constantinople Convention of 1888 should go a little way in allaying the fears of the chief maritime powers concerned, namely, Britain and France. That Nasser's primary, and possibly sole, concern is with the revenue of the operating canal is now fairly well acknowledged, and this redounds to his credit even as it raises his stature in the eyes of the Asian anti-imperialists who do not miss the fact that Egypt was all along getting only a meagre share of the profits of a company which recently gave a dividend of £9 per share.

Although the British Government is a large shareholder of the Company (with about 180,000 capital shares and 174,000 ordinary shares as on July 1, 1955, out of the total of 400,000 capital shares and 400,000 ordinary shares respectively), the United Kingdom's dependence on Egypt as a growing market for her goods should, one may expect, counsel caution in her Government's panicky moves to 'assert' her rights in the Canal Company. The United Kingdom's importance as a market for Egyptian goods (predominantly raw cotton) has dwindled in recent years for, as of 1955, the value of British purchases from Egypt is less than £8 million as against nearly £24 million worth of Egyptian purchases from Britain. As the United Kingdom has ceased to be a good market for Egypt's cotton and as this trend is likely to continue thanks to the Suez Canal imbroglio, new trade relationships of a more balanced kind with countries which can buy her cotton (which constitutes 82 per cent of all her exports) have become and are becoming a matter of necessity for Egypt. It is here that India, with

her programme to import raw cotton at an annual rate of Rs. 54 crores' worth in the second Plan period, can come into the picture and establish a flourishing trade relationship with a country which, like ours, is poised for some very dynamic expansion notwithstanding the present obstacles besetting her. The question should naturally arise whether India will be in a position to export to Egypt those goods which she is likely to need most—like iron and steel, cement, fertilisers, chemicals and pharmaceuticals, machinery and transport equipment, some other manufactured goods, and tea.

India, of course, is immediately in no position to supply all these goods. The iron and steel and cement that Egypt will require for her Aswan dam are needed for our own projects, but if one looks beyond the second Plan one may find that the new iron and steel works that will have come into being should be able to contribute their share of supplies, however small, to what will rank as one of the greatest construction projects of all time. In the matter of fertilisers and some chemicals and pharmaceuticals India should be right now in a position to export some quantities thereof. Although India cannot supply transport equipment, she can well export some varieties of machine tools, light engineering goods like cycles and some types of textile machinery. As Egypt already exports to other countries annually some £6 million worth of textile yarn and fabrics and as she has probably a programme for more textile spinning or weaving mills, her requirements of textile machinery are likely to expand. In the matter of tea it is stated that Egyptians are taking to it more warmly, and India's exports of this commodity could well be stepped up further. As of 1954, India exported just £4 million worth of goods to Egypt against £12 million worth of imports from the latter. With a possible larger import of raw cotton, India would be in a favourable position to step up her exports to Egypt so as to account for a more sizeable part of that country's annual imports worth about £100 million of machinery, fertilisers, chemicals and manufactured goods.

Existing conditions raise a number of possibilities; but it would be clearly unwise, merely because of the existing disruption of Anglo-Egyptian trade, to assume lightly that Egypt has become substantially more prosperous merely because it has laid its hands on the canal. There is no doubt that the canal does provide some additional resources, particularly if compensation is not paid in foreign exchange and if the power is vested in Egypt to raise revenue by enhancing tolls, as her needs for new revenue expand with her development projects. It is, however, by no means clear—whatever the judicial position—that Egypt will be a substantial gainer unless she has the right to tax traffic through Suez at will. In the circumstances the finances for the Aswan Dam are not assured, and Egypt's economic progress may not be very different from what it has been in the last few years. In any case, India must play her cards for the long haul. It is dangerous to assume that quick changes in Egypt's pattern of trade can be exploited sufficiently to remove our difficulties of foreign exchange in the second Plan, for which the Free World's assistance is essential.

A Probe into the Plan

THE interest which several countries are showing in India's second Five-Year Plan has already assumed positive practical significance. Since the final version of the Plan has now emerged this interest has shifted to the feasibility of the targets in the light of the financial resources envisaged in the Plan, the state of the economy and the direction of the government policies. The focus is the import component in its bearing particularly on the industrial sector. Mr. Stephen Garvin has prepared a report on the Indian economy for the Federation of British Industries. This latest probe is of an exploratory nature. But its significance lies in the fact that it has prepared the way for a more detailed and concrete investigation into the potentialities of the collaboration of British industry in the implementation of the Plan. A delegation is shortly expected to visit this country on behalf of the Federation. Meanwhile, this report needs quite a degree of attention. Its great virtue lies in its forthright expression of views on the impact of high personal taxation on the foreign investor in India. But it also contains stimulating observations on effective ways in which the Government of India can otherwise attract the flow of foreign capital in this country.

Mr. Garvin's overall estimate of the soundness of the Plan and the central conclusion at which he arrives about the tempo of industrialisation are important for the reason that they will serve to remove certain misconceptions prevailing in some quarters in his country about the genuine-potentialities of expansion which the Plan seeks to exploit. The degree to which this country has become plan-conscious and its determination to make a success of it are factors which no observer of the Indian scene can miss. It may, perhaps, eventually turn out that the goals are overdrawn in certain respects and the strain which the implementation of the Plan exerts on the administrative resources is too heavy. It may be easy to point out errors of this nature. That rail transport has not been given a square deal which may seriously repercuss on a wide range of programmes is not an exaggerated estimation. Not only transport but in some measure consumer goods may suffer from insufficient outlay now allocated.

Extended money supply is inevitable in an expanding economy. But deficit financing of the order accepted, coupled with the gap of Rs. 400 crores in domestic resources, holds a possibility of inflation. The gravity of these danger signals has not been underrated. But it must be remembered that India has shown meticulous vigilance in the past in restraining the forces of creeping inflation. There can be not the least hesitation in putting off targets of lower priority and extending the actual period of achievement of the Plan with its present size a little beyond its allotted span. What impresses the foreign observer is the acceleration of the dynamism in the economy without sacrifice of financial stability so far. Flexibility must continue to be an article of faith in implementing the Plan. When these limiting factors are conceded the crucial fact that emerges is the rapid tempo of industrialisation which has now come to stay.

Quite understandably, the report makes an earnest plea to interpret the economic policy of the Government of India with reference to its execution rather than on any other test. There is nothing alarmist about the goal of the socialist

pattern of society and any tendency to draw inferences of this nature is based on the error of applying the prevailing notions in the West to the Indian situation. The objective of socialism is still far from clearly defined, but it does not envisage the elimination of private enterprise. Investment in basic projects which would offer slow rewards must inevitably come from the State and this characteristic of the Indian economy is responsible for the emerging role of the public sector. The extension of its area need not be taken as a progressive encroachment on the area of the private sector. In its actual execution Government's policy is judged in the report as virtually free from doctrinaire inhibitions. Its verdict is that the administrative policy is empirical and pragmatic. It speaks the language with which the investor in the West is familiar when it describes the approved goal as the pattern of mixed economy.

The strong reaction of the foreign investor to the steep rise in personal income-tax introduced two years ago in this country is best expressed in Mr. Garvin's own words: "India is now, in respect of the taxation of personal incentive in industry, the most highly taxed country in the world. On a net basis, and taking as the unit of comparison, the married man with two children, income-tax in India in the middle ranks of the managerial class, and even more so in the higher ranks, is heavier than in the United Kingdom. A rupee a month is very roughly £1 a year. At Rs. 1,600 per month, Indian income-tax is slightly less than British. From Rs. 2,000 per month upwards it is increasingly higher. Not only this, but the 1955 Indian Finance Act also brought within the income-tax net various perquisites which, though also taxable in the United Kingdom, mean infinitely more in India, and are indeed inescapable adjuncts of salary for anyone working in a country not his own. From the point of view of the attraction of foreign investment it is impossible to over-estimate the folly of this move. It is precisely in those fields in which India is anxious to develop industrially that managerial man-power is desperately short in the United Kingdom and in other Western industrialised countries and India cannot hope to prove an attractive proposition to foreign firms if they cannot adequately remunerate their employees."

The deficit in the balance of payments on current account forms the hard core of the problem of unresolved resources. Hitherto, India has shown preference for foreign assistance through governmental or international agencies. But the magnitude of foreign capital required to cover the deficit must produce a change in the approach on the part of the Government of India. As against a total of about Rs. 300 crores of foreign aid in the first Plan must be set the new figure of Rs. 800 crores. The report urges a radical revision of attitude towards foreign private investment. Equity capital by any criterion holds superior benefits over loans with fixed interest. India needs to appreciate the advisability of addressing herself to the private exporter of capital and she has proved merits for this purpose. She has a reassuring record of fair and just treatment of foreign capital, including facilities for remittance or repatriation, and subsidiaries of parent firms abroad or collaborated enterprises have already paved the way for import of capital and technical skills.

THE WEEK'S NOTES

LINGUISTIC MINORITY SAFEGUARDS

THE STATES Reorganisation Bill, as amended by the Joint Select Committee, is now the subject of some acrimonious debate in the Union Parliament. Even in the heat of debate on some controversial provisions of the Bill, a minute of dissent by Mr. Frank Anthony to the Committee's Report has not failed to attract the attention of the treasury and the opposition benches alike. Mr. Anthony's plea for safeguards for linguistic minorities is so compelling in its logic that it has brought forth a Ministerial admission that "the educational interests of linguistic minorities will need careful attention". The able dissenter's criticism, in short, is that "the States Reorganisation Bill and the Constitution (Ninth Amendment) Bill are both disfigured by the complete absence of a single guarantee or safeguard for the linguistic minorities". "In both the bills," he says, "there is not a single sanction or a single enforceable provision given to the linguistic minorities".

Mr. Frank Anthony presents a cogent and convincing case. In the first instance, even the amended provision that any matter affecting the linguistic minorities will be within the purview of a Zonal Council does not amount to much for the simple reason that there are no legal or executive teeth in a provision pertaining to what, after all, will be an advisory body. The Zonal Council will be helpless in the matter of bringing an errant State to order or to prevent the open oppression of a linguistic minority. In the same way, the provision in the Constitution (Ninth Amendment) Bill that "it shall be the endeavour of every State and of every local authority within the State to provide adequate facilities for instruction in the mother-tongue at the primary stage of education to children belonging to linguistic minority groups" is also of an advisory character. It may not mean much in practice even as the provision that "it shall be the endeavour of a State to provide, within a period of 10 years from the commencement of the Constitution, free and compulsory education" has not been implemented yet.

Mr. Anthony's narration of how his several proposals have been successively rejected makes distressing reading. Neither his suggestion that there be a Central Ministry for linguistic minorities nor his plea for a Statutory Minorities Board has found favour with the Government. His proposal for a Commissioner for linguistic minorities, appointed by the President, has also been rejected. Even a simple provision giving the President powers to issue directives to the States on behalf of the linguistic minorities has not found its way into the States Bill. All that is envisaged is that the good offices of the Governor should be used on the behalf of the minorities. It is to be hoped that the Parliament may yet include enforceable safeguards particularly because Mr. Anthony's views are applicable not only to the Anglo-Indian minority but to several other linguistic minorities that will necessarily be found in almost every State even after reorganisation.

MARRIAGE OF CONVENIENCE

THE PATNA report that Mr. Jaya Prakash Narain favours an electoral alliance between the Praja-Socialist Party and the Communist Party of India cannot be dismissed as wholly untrue. If Mr. Narain's reported move bears fruit and the electoral alliance takes shape, it will be one of those marriages of convenience which have become agreeable to that strange assortment of political parties and groups opposing the Congress colossus. The Communists are only too ready to join hands with any group—whether of the Right or of the

Left—in the confident knowledge that they will not stand to lose by any such opportunistic alliance. If anything, they may stand to gain from an alliance with the P.-S.P. in particular and retain or even strengthen their representation in the Union and State legislatures. If, on the other hand, the P.-S.P. expects to profit by an alliance with the C.P.I. and increase greatly its present strength in the legislatures, one has only to recall the last general election in Travancore-Cochin in which a P.-S.P.-Communist electoral alliance turned out to be more fruitful for the Reds than for the Pinks.

If a marriage of convenience between two incompatibles cannot endure, an electoral alliance between the Praja-Socialists with their Gandhian moorings and the Communists with their Stalinist roots has no better chance of continuing after the elections. There is a world of difference between the faith that animates Mr. Jaya Prakash Narain (who has no will for power) and the faith that animates Mr. Ajoy Ghosh (who is a Stalinist child of power), and an ideological harmony between the two would be a near-miracle were it ever to happen. If Mr. Narain fears that the second Plan might ultimately lead to State Capitalism, Mr. Ghosh, as a votary of an extreme form of State Capitalism, may be pleased with such a trend in our planned economy. Is there any hope of Gandhian Socialists (who oppose excessive centralisation in political and economic spheres) and Communists (who know only the authoritarian ways of achieving plan targets by riding rough-shod over individual rights) holding together in a post-election alliance? If, conceivably, neither group would change its basic approach, what sense is there in a limited electoral alliance which, as in the case of Travancore-Cochin, may only lead to political instability in some States after the elections?

INDUSTRIAL DISPUTES (AMENDMENT) BILL

THE INDUSTRIAL Disputes (Amendment and Miscellaneous Provisions) Bill, passed recently by the Lok Sabha, enlarges the definition of a worker, abolishes the Labour Appellate Tribunal, provides for the revision of the Standing Orders in consultation with workers' representatives, sets up a three-tier system of industrial tribunals, encourages voluntary arbitration and provides for legal sanction for the enforcement of awards of such arbitration. Designed with the object of preserving industrial peace, it purports to set the ball rolling for a speedy settlement of labour-management disputes. The question arises whether it will really do so. A close analysis of the amended Bill does not provide any answer in the affirmative. Curiously enough, the Bill makes no provision for quick disposal of labour disputes. While it provides for the abolition of labour appellate authority, it proposes to set up a tier of three courts, namely, the Labour Court, the Industrial Tribunal and the National Tribunal. Jurisdictions of these tribunals are defined but there is no clear idea as to the line of demarcation between the jurisdictions of the Labour Courts and the Industrial Tribunal. The National Tribunal is to be appointed by the Central Government and it will cover disputes which involve questions of national importance or which are of such a nature that establishments situated in more than one state are likely to be interested in or affected by the disputes. To what extent the National Court will be less costly for the workers than the previous set-up is not very clear. Under the circumstances the setting up of this machinery which has no clear demarcation of its functions and will be costlier in certain respects does not seem to provide any solution to the problem which confronts both the employers and the workers now.

It requires little proof that the Labour Appellate Tribunal machinery created a useful set of rules under the Act which gave guidance and help to other tribunals and boards. Its abolition was advocated on the ground that it took too much time in deciding cases and proved too costly. That it has done much useful work in unifying labour regulations in the country is conveniently forgotten.

RECRUITMENT TO PUBLIC SERVICES

THE COMMITTEE set up by the Government of India in April last to examine whether a university degree is necessary for recruitment to public services does not seem to throw any new light on the problems on hand in its report. The arguments on which the findings of the Committee are based are not very clear. It seems that if the Committee does not consider a university degree to be necessary for the bulk of Government recruitment, it can only be because they regard it as an intellectual luxury which the bulk of public servants can afford to dispense with. There is no doubt that university education is currently defective and unsatisfactory in many respects. But that does not mean that all is well with our primary and secondary education. When such is the state of affairs, it is wondered how recruitment made at pre-university levels for the junior officers' posts is going to solve the problem of securing for the country the requisite talent to man its services. Selecting and qualifying tests prior to recruitment have an intrinsic value but they will be best served when there is a complete reorganisation of secondary education. Only then those emerging from schools would be equipped to fill relatively junior posts, and graduates also, correspondingly improved in quality so that they could be diverted to work demanding higher qualifications.

The only point in favour of recruiting the candidates at an earlier age and at an earlier stage of education appears to be the economy aspect which implies that there will not only be a saving of expenditure on higher education, but also an early start to one's production or earning life. But against these possible gains has to be set the possibility of the poor being left behind in the field of higher education—not a desirable prospect for a country which is sought to be evolved into a Socialist State.

THE PANAMA DECLARATION

THE PANAMA DECLARATION, signed by President Eisenhower and the Presidents of twenty Latin American Republics, is as strong in its reaffirmation of Pan-American solidarity as it is weak in its dedication to liberal democratic ideals. This latter weakness (or internal contradiction) in the declaration stems from political realities in the southern Republics. As a write-up in 'The New York Times' admits, "conditions in Latin America broadly speaking are not good despite such recent encouraging developments as free elections in Peru, Ecuador and Panama. Ten of the twenty republics live under dictatorships or regimes akin to them. In several others, notably Brazil, democratic Governments are suffering from serious instability.... In most of the countries the military exercises a traditional but dangerous influence on political life..... In general, it can be said that the prevailing weakness of democracy in Latin America is tied to the lack of a tradition of liberal political parties."

In the context of such realities, at least two sections of the Panama Declaration are really weak, though high-sounding. These relevant sections state, 'inter alia', that "it is the destiny of America to create

a civilisation that will give tangible meaning to the concept of liberty, to the principle that the state is the servant of man and not his master" and that "in a world in which the dignity of the individual, his fundamental rights and the spiritual values of mankind are seriously threatened by totalitarian forces, alien to the tradition of our peoples and their institutions, America holds steadfastly to its historic mission to be a bulwark of human liberty and national independence". In a continent where "the Communist threat frequently is invoked as an excuse for strong-man regimes" and where the Communist totalitarians are themselves active in several spheres, the concept of liberty may have no smooth sailing. If the generally-accepted American leadership in the hemisphere system has not effectively countered totalitarian trends in Latin America, there should be some explanation for this failure. Is it because 'United States' policy is geared too exclusively to anti-communism at the expense of positive political action?"

TRENDS IN PAKISTAN POLITICS

PAKISTAN IS again confronted with an impending political crisis. Events during the past few months have shown that the country is threatened with actual political granulation, and internal stability and strength have been seriously undermined. Feuds and factions in Provincial politics have rendered the position of the Centre vulnerable. It is, therefore, not surprising that Chaudhry Mohammed Ali is calling a meeting of the League-United Front coalition party mainly to know his own position and design a more active policy for the future. But both parties forming the Coalition have been weakened by large-scale defections in the past. In the West Pakistan Assembly, the Republican Party of Dr. Khan Sahib is gaining strength at the cost of the Muslim League. And the new party's demand for representation at the Centre threatens to disturb the balance in the coalition. In East Pakistan, conditions are no better. The possibility that, with the ruling United Front Party having been reduced to a minority in the Provincial Assembly, the opposition parties may pull down the Sarkar Ministry and thus bring about Governor's rule for the third time, cannot be ruled out.

In the present conditions, it is just possible that the coalition party may record its confidence in Chaudhry Mohammed Ali. The question is whether there will be any changes in policy so as to solve the country's internal problems. One of the acute problems facing Pakistan at the present time is to overcome rice shortage in her Eastern wing. As a result of administrative bungling, even the normally surplus area of West Pakistan is threatened with a possible food shortage. Economic development and a drive for literacy are among many other pressing problems which need concerted effort. A successful solution of these and other problems would depend on the extent to which people realize their urgency and the Pakistan Government are able to release themselves from their preoccupation with extraneous issues.

RATE OF PERSONAL INCOME IN US

THE US COMMERCE DEPARTMENT has announced that on the basis of personal income for June, the nation's 1956 annual rate is estimated at \$324,000 million. The 1955 total was \$306,000 million. Personal income is the total of wages and salaries, the net income of proprietorship and partnerships, dividends and interests, net rents received by landlords, and other types of individual income. The mid-year report also shows that personal income in the first half of 1956 was at an annual rate of \$320,000 million—\$21,000 million higher than in the first half of 1955.

A Window on the World

HURRAH FOR MONOPOLIES!

By

ODYSSEUS

TOWARDS THE ODYSSEIAN ERA

LORD CITRINE, who from 1926 to 1946 was General Secretary of the British Trades Union Congress, and who has been chairman of the nationalised British Electric Authority since 1946, has just lent the majesty of his grey hairs to a series of pronouncements which should be anathema to the enlightened students of affairs whose lives are shrouded in darkness on the few occasions in the year when this column is paddling its toes by the seaside.

Lord Citrine's views must go on record as a convenient compendium of all that we resolutely oppose. Speaking at the study conference of industrialists assembled this month in Oxford by the Duke of Edinburgh from all over the Commonwealth, he defended price rings and equal tendering. These were points on which he explained that he felt "rather sensitive" and he seized the opportunity for a virtuoso display of his sensitivity.

Lord Citrine told his audience that "combinations" were now an important and necessary part of British industry. He cited as an early example the formation of a ring among shipping companies in the emigrant trade from Liverpool to the USA. When competition had reduced the fare to £2-10-, people, whom Lord Citrine described as "sensible", had agreed that this was serving nobody's interests. Evidently the emigrants were a representative crowd of nobodies, so the sensible shipowners got together to agree on the price that they could afford to charge them.

Passing on to discuss, with a connoisseur's relish, equal tendering as practised today by British electrical manufacturers, Lord Citrine said: "It is very interesting to me when we ask for tenders to find that, on orders involving perhaps £600,000 or £700,000, we get tenders that even down to shillings and pence are identical. I don't want it to be assumed that I regard this as necessarily wrong."

"I think," Lord Citrine ruminated aloud, "that just as the trades unionist combines to prevent his standard of life being driven down, so it seems to me justifiable that among firms some kind of combination should take place that will avoid the standards at which they can sell their commodities being debased." British consumers were doubtless elated to learn that Lord Citrine was sure that this kind of arrangement was not against that ethereal abstraction, mention of which is guaranteed to set the echoes rolling with cheers at any Socialist meeting — "the public interest". Lord Citrine was certain that the disclosures of costs would show that the public was not being over-charged. It would be quite a contribution to economics if Lord Citrine would give us the definition of "overcharging" that his many decades as a watch dog of the public interest suggests. A definition that would fit into the context of his remarks at Oxford would be: "Overcharging occurs when enough monopolists of labour and capital have diverted to themselves a large enough proportion of the national income at a level of productivity which causes inflation to jeopardise the currency and the national balance of payments". Lord Citrine, however, was confident that public vigilance would prevent abuses by demanding enquiries whenever suspicions were aroused.

For my part, I can't help thinking that the establishment of free competition supported by effective anti-trust laws would clear the air of suspicions and obviate the necessity, to say nothing of the expense, of a public enquiry, and if anyone suggests that this dates my economics as pre-historic, I will content myself with the counter-claim that I am a deviationist from current orthodoxy, a situation which finds me in not undistinguished company. If the deviationists of yester year have become the un-cultivated personalities of today, I don't see why today's deviated idea can't become tomorrow's re-cultivated ideology. Some years ago doctors used to prescribe M and B drugs for everything. Today B and K pills are all the rage. Be of good cheer, comrades, tomorrow will see the Odysseian era.

The most significant point about Lord Citrine's views is that they have evoked no comment. Let us, then, fling wide the economic windows and let the sun in on the mildews of monopoly.

In the nineteenth century the problems of political power and personal freedom were solved by progressive electoral emancipation. It was only gradually realised, as the industrial revolution gathered strength and greater and greater industries sprang up, that the abuse of economic power by employers was as dangerous to a free society as the abuse of political power by an aristocratic oligarchy. The first means of curbing the abuse of economic power is to build up the bargaining power of the trades unions, as has been done in Britain, the U.S.A., and Germany. A second is to prevent agglomerations of power by enforcing competition through anti-trust laws, as in the U.S.A. The combination of these two measures has been among the factors contributing to a vigorous democracy and a flourishing economy in America. Britain has been a half-way house. The trades unions have been strong, but in place of competition a good deal of price-fixing and division of markets has occurred among producers, which, taken together, have contributed to Britain's inadequate economic flexibility. But the effects of monopolies are most easily studied in the country where they were actually fostered by law—Germany.

In 1897, the German courts said that cartel agreements and sanctions against firms outside the cartels were legal. They laid down that it was in the public interest that any groups engaged in industry in which prices were falling "too low" should combine to maintain or to raise prices. They legalised boycotts, by which a competitor was not beaten by greater economic efficiency but by damaging his business. Within eight years of this judgment, 385 cartels had sprung up, mostly in coal mining, iron and steel, the building trades, and potash mining.

PUBLIC SOCIALISED CORPORATIONS

By allowing the liberal principle of the freedom of contract to be used to restrict the freedom of others by sanctions or boycotts, the German courts helped to bring about a state in which freedom of contract ceased to exist. The cartel laws led naturally to the experiments

of the German Socialisation Laws of 1919, the object of which was to turn the voluntary coal and potash mining cartels into compulsory syndicates for the whole of their industries. These syndicates were to be "self-governing bodies," managed by the owners and workers and by representatives of the consumers. The idea was that whereas in the old dog fight of free enterprise, owners, workers, and consumers had conflicting interests, the moment that they were "socialised" differences would be ironed out at the conference table, followed by a cheerful (Khrushchevian?) cocktail party afterwards.

The German experiment in cartels failed, and says the late Walter Eucken (in his little 96 page classic "This Unsuccessful Age," W. Hodge and Co. 1951) the reason why it failed illustrates an important principle:

"If the workers share in the profits of monopoly, they have as much interest in promoting monopoly as the owners."

German experience showed that the miners would agree to an increase in coal prices whenever this meant a corresponding increase in their wages. The participation of workers' delegates in the management of monopolies merely created a single monopolistic group which was ready to hold the community up to the highest ransom that they could extract. Workers' participation in the management merely strengthens the power of the monopoly.

As for Lord Citrine's belief that the men who control large organisations are "as public spirited as anyone else" this is certainly true—provided that they are not in control of a monopoly. Keynes thought that the creation of semi-autonomous bodies within the framework of the state would be a step towards greater efficiency in production and enlightenment in policy, that great public corporations would be wealthy enough to be able to ignore the profit motive and place the public interest first. Subsequent experience has proved him mistaken. The bigger the group, the more inflated its egoism. The first instinct of any group is to survive and public corporations will in support of their own interests struggle against other corporations and against the state itself. But whereas the existence of free competition acts as a tremendous curb on the abuse of power and as a spur to efficiency, its absence enables the monopolist corporation to blackmail the nation with increasing ease.

The Socialist has his answer ready: "What you say is true of monopolies in a capitalist free-for-all state of anarchic economic conflict. But a Socialist state would convert these private monopolies into public corporations subject to state supervision." The test of all words is (surprisingly enough) to ask what they mean. What did "state supervision" mean in Germany? In 1923, the German Government set up a special government department and a Tribunal to supervise cartels. The Tribunal's consent had to be secured whenever a cartel wished to compel an outsider to join by threat of sanctions. When the Ministry of Economics began to counter cartel abuses by encouraging competition, the cartels denounced competition as "reactionary Manchesterism," and praised cartels as "progressive economics"—gorgeous examples of "double-speak" overlooked by George Orwell when he wrote "1984".

The German 1923 Act was followed by a flight of employer and worker flies, away from the grim shades of competition, into the comfortable parlour of the state

control spider. By 1925 there were no fewer than 2,500 cartels being supervised "in the public interest."

How this led to increasing Socialism and what were the actual achievements of "state supervision", we shall examine next week



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COLONISATION IN REVERSE

(From Our Special West European Correspondent)

PARIS, July 27.

THE economist does not have to accept the politician's judgment about what is important in any given situation. He can take up for study a neglected and apparently trivial aspect of a passionately disputed issue and, although in the politician's eyes he is going off at a capricious tangent, he often thus succeeds in bringing to light facts of undoubted political, as well as economic, significance. This is a right I propose to exercise here in regard to the war (gallice: 'pacification') now raging in North Africa about the future of the French settlements there. Let us leave aside all questions about political and historical "rights", whether French or Arab, and all recipes for what ought to be done. Let us attend simply to the economic question of how the million or so Europeans in North Africa earn a living, both while they are in Africa and—more particularly—after they have been obliged to leave Africa. On this roundabout journey, we will come across some highly important information about colonisation and imperialism in North Africa and, for that matter, elsewhere.

Most people have the vaguest notion about these million white men who are the centre of today's bloodiest conflict. The Parisian of right-wing opinions pictures them as Frenchmen exactly like himself, living and working in a land that is technically "part of France," and owing the same allegiance to the Paris Government and republican institutions. The Parisian of left-wing opinions sees them as the armies of economic feudalism, clinging to outmoded privileges and exploiting Arab labour. The Indian, I suppose, would picture them as a host of burra sahibs, working in air-conditioned offices or overseeing vast plantations, sending their children back to the best schools in France and going off regularly on a luxurious "home leave". Every one of these pictures is grotesquely inaccurate.

For the most part, the Europeans of North Africa are hard-working farmers who have never been to France, do not have the money to go there and in any case much dislike Parisians. Their standard of living is below that of many metropolitan Frenchmen, while the comforts that Europeans in Asia (and elsewhere in Africa) have always claimed as necessary would be beyond their dreams. They practise agriculture in a way that is totally different from that of French peasants in the homeland, whom they regard as backward dullards. Economically, their closest counterparts would be American farmers in less favoured parts of the West. There are of course among them, and especially in Algiers, vested interests of a feudal-capitalist type, but it is precisely these groups who are most critical and distrustful of the French Government, and who no more want to be ruled from Paris than does the most rebellious Arab.

While their political leaders talk about their inflexible determination to remain in North Africa, in fact large numbers of them have been leaving Morocco, Tunisia and Algeria ever since the troubles began. It is the economic activity of these migrants that I want especially to describe, because when we see them at work outside of North Africa we can more clearly see some of their essential characteristics. Where, then, have they gone? Naturally, the first migrants (or exiles) made for Canada where they could join an already existing French national minority. But, apart from the fact that a European born under the sun can

no more live without it than an Indian or an Arab, Canada—and especially the stifling, backward atmosphere of Catholic French Canada—offers little scope for the particular economic talents of the North African settlers. So the movement to Canada has not gained in volume. Next, the migrant settlers turned their attention to Latin America. The Brazilian consulate in Casablanca and the Paraguayan consulate in Marseilles are receiving 30 letters a day from settlers who feel that they have no future under any dispensation in Africa and are willing to try pioneering adventure in the warmth and open spaces of South America. Hundreds of families have already taken up farms of 20 to 80 acres in the wilds of Brazil, and many more have left for the rice and cotton lands of Paraguay, where some "Moroccans" have formed a collective farm. Mexico, too, although already suffering from overpopulation, is interested in the proven agricultural skill of settlers who have cultivated olives, alpha and other coarse fibres in North Africa.

But the day of the great migration waves to Latin America has passed; the Italian influx into Argentina was probably its last phase. The North African settlers have to look elsewhere and, not surprisingly, they have begun to move to the under-populated regions in the sunny south of France. This may seem to be a fact of very little interest—nothing more than a lot of colonialists scuttling off home. But France is not these people's home, for most of them have never been there. The area around Toulouse to which they are heading is not even, historically speaking, their "ancestral" home. And, finally, they are taking with them a scientific, pioneering attitude to agriculture that is unknown in France and which is already producing economic and social stresses exactly similar to those produced by the French impact on the Arab civilisation. We are in fact watching a type of colonisation in reverse.

Although this process is surprising and disturbing French metropolitan administrators, economic historians are familiar with the fact of colonisation in reverse, and they know its economic importance. A recent case is that of Spain after the final, total collapse of the Spanish Empire in the war of 1898. The loss of the last of her colonies was viewed in Spain as an economic disaster but, because of the return to Spain of colonists from Cuba and the Philippines, it in fact stimulated modern Spanish capitalism. I quote the historian Rafael Altamira: "We lost the colonies and a great mass of Spaniards came home. These men brought with them not only money, but their way of doing business, their New World initiative, their particular energy in economic life, and it was they who established the great industrial enterprises in Bilbao, Asturias and other regions which shot up in the years after 1898. In this period began the great increase in industrial and mineral production." Now, what Altamira did not live to see was that this industrial development in Northern Spain later produced the Basque separatist movement, the growth of communism and anarchism among the industrial workers, and the general tension with Madrid that culminated (with other things) in the Spanish Civil War. In short, the process of colonisation in reverse touched off an economic development strikingly similar to the struggles that have repeatedly divided imperialist powers and their overseas dependencies.

What is happening in France today need bear no close resemblance to the Spanish case, if only because

agricultural techniques and not industrial capital are involved, but it too shows that colonisation in reverse can produce many of the tensions typical of overseas imperialism. The North African settlers who have begun farming in the south of France have at once consolidated land holdings, because anything under 200 acres is not, in their view, worth the trouble of cultivating. They are buying up contiguous peasant holdings, breaking down the traditional hedges and filling up the trenches that separated them, and sowing large areas with wheat and corn. At once land prices have boomed, and rises of 40 per cent in three departments around Toulouse are frequent. Where a French peasant was spending 500 francs a hectare on fertilisers, the settlers are spending 10,000 francs. Where the peasant was using 27 teams of cattle for ploughing, they use five tractors. The settlers have invested in American agricultural machinery never before seen in this region: mechanical sowers, corn-pickers, pick-up ballers, and the like. Free of the old peasant conservatism, and full of pioneering risk-taking initiative, the settlers have experimented with new hybrid seeds brought from the United States, used plant hormones and every variety of chemical.

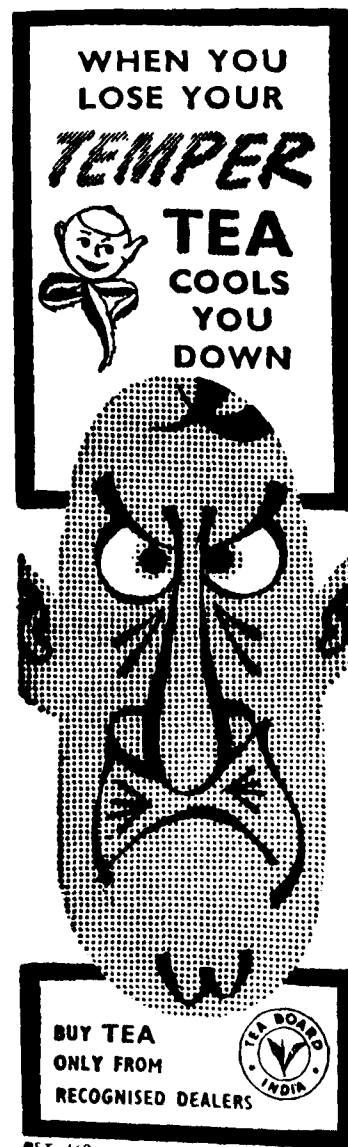
Of course, these techniques have worked. Land that was bearing 10 to 18 quintals of wheat, is now producing 45 quintals. Taking over land that was yielding a gross revenue of 50,000 francs, the settlers have got over 80,000 francs from it. A part of France that was agriculturally backward is once again becoming a rich grain reservoir. Moreover, they are experimenting with new crops, notably lavender and fruit trees. The judgment of two eminent agronomical scientists on the settlers' venture in the south is that "they are preparing a sort of agrarian revolution within the framework of a capitalist economy". Which of course—and this is my whole point—is precisely what their grandfathers did in North Africa.

How do the native peasants of the south of France view this irruption? Pretty much the same way as the Arabs did. The appearance of the settlers puts land prices up, and their economic success raises prices even further. At once the local peasant loses all hope of ever expanding his own property. The consolidation of properties squeezes out the share-cropper, who becomes a landless labourer. Mechanisation in turn squeezes out the labourers: five tractors mean that 20 out of 26 labourers can be dismissed. The local peasant can of course imitate the methods of his new rivals, but what happens more often is that absentee landlords are inspired by the settlers' success to return to the land, reclaim their properties and in turn squeeze out more share-croppers and labourers.

As one would expect, the settlers become highly unpopular. They are called "North Africans" and regarded as foreigners. Unrest and hatred grows among the peasants, and 'Le Monde' reported last week that in several villages the cry has gone up: "We shall burn their crops". Of course no such thing will happen. I do not believe for a moment that the irruption of the settlers into the sleepy south will have any serious political consequences. But my point is made without that; namely, that much of the colonial-imperialist struggle of our day is the result of a collision between a somnolent economy and a battery of modern, scientific techniques. This collision can occur, and can lead to the same hatred and bitterness, between men of the same race, religion and culture—in very fact, between men of the same nationality. The racial and national complications of such a collision when it occurs in such places as North Africa are incidentals, however important; and a "political" solution of these collisions that does not reckon with the economic foundation is not only inadequate but often simply an excuse for

careerist politicians to get themselves new and better jobs.

Whatever the politicians say about colonisation, economists should never forget that it can happen in reverse. This fact brings out some of its most important features. If colonisation in reverse goes on happening between North Africa and France, that is if more of the Europeans who were born and bred there leave Africa for "colonial" ventures in the metropolitan country, then from the economists' point of view it is North Africa that will be the loser and France the gainer.



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NEW DELHI

A DELHI DIARY

I HAVE taken the liberty of delaying this Diary (and 'The Eastern Economist') for a day, believing that our readers would wish to sense something of the wonderful excitement that prevailed in Parliament this Friday. I have never known the personality of the Indian Parliament to take such imaginative form and shape as it did on this historic day. In a moment Chintaman Deshmukh—who had awakened in the last week bitter opposition in Congress benches—looked like becoming a popular hero. A petition to the Prime Minister was drawn up and signed by almost 180 out of 234 non-official Members of Parliament present. The rapidity with which the petition was circulated for signature and submitted to the Prime Minister was an overwhelming tribute to what I should call the corporate mind of Parliament. It was a great experience to see at close quarters the working of the mature mind of the Indian nation. I was convinced in one day of a point which I have often held in doubt that the Indian Parliament has a personality of its own, and that this personality was, by and large, a faithful reflection of the political judgment of the Indian people.

THE PERSONALITY OF PARLIAMENT

The point that Parliament's personality is different from that of the leadership of the Congress Party became clear as the petition circulated. It was obvious that Members of Parliament were even determined to throw their influence against individual Ministers in power who seemed unready to sponsor the bilingual Bombay proposal of their own. It is true that the Prime Minister had said that he was in favour of such a proposal but the fact that he did not advance it on his own suggested that he was himself hesitant and unready to assume responsibility for the proposal. Thus it comes about that leadership on this occasion passed from the Prime Minister into the hands of the representatives of the people. The forceful manner in which this has been exercised by some of the leaders of the people—notably Mr. Purshotamdas Tandon and a group from Uttar Pradesh—indicates that, wherever a major national issue is at stake, there is a body of democratic opinion in Parliament which at some hour—unfortunately generally later than sooner—will make its corporate personality felt. It is almost certain now that this corporate personality contains much of the true sovereignty of the Indian opinion. From the way it was displayed on Friday, I would hazard the guess that on Monday the Lok Sabha will decide on a bilingual Bombay in preference to all the unsatisfactory proposals which have been recently discussed much to the detriment of the peace of mind (and body) of some people in the State of Bombay.

"D" DAY IN DELHI

Next Monday may well be "D" Day in Delhi. It is now certain that the whips will be withdrawn, a free vote on the amendment to institute a bilingual Bombay State will probably decide in favour of the new proposal. The loud cheers which greeted Mr. Deshmukh's enthusiastic support for the proposal and his promise "to undertake a tour of Maharashtra to explain the significance and importance of a bilingual Bombay State" showed that display of imagination of Bombay State was the most popular dare to say that Mr. Deshmukh was the most popular member in the Lok Sabha on Friday. He played every single card right and I think—this alas was not the

tenor of my last Delhi Diary—he is marked out for imaginative political responsibility in the new Bombay State.

I would not be least surprised if Mr. Deshmukh on the rebound commended himself anew to the Prime Minister, and held high office at the Centre or as India's nominee on an important Mission abroad. There is such a Mission waiting. The World Bank Mission's Report has been disappointing. Surely here is a task for which Mr. Deshmukh is well equipped—after the Maharashtrian hurdles have been jumped!

INDIA AND SUEZ

There have been comings-in and goings-out at the External Affairs Ministry with Mr. Malcolm MacDonald, the United Kingdom High Commissioner in India, prominent in the proceedings. Everyone would like to know exactly what has transpired. But beyond the fact that India has received an invitation to attend the London Conference on August 16, and that Mr. V. K. Krishna Menon is likely to be sent as the Indian delegate, no detailed information is available. This is easy enough to understand. The Prime Minister has not made any statement in Parliament which is in session, and it would be a question of privilege if he made an important statement outside or if the ubiquitous "spokesman" of the External Affairs Ministry chose to speak before Parliament was informed. However, interest in the Prime Minister's statement on Suez which is due to be made next week stands only next to Bombay in national interest.

Not being an official spokesman, I can be as indiscreet as the Press Laws allow. Obviously the Prime Minister is in a very difficult position. Fresh from Brioni—where, incidentally, Suez was not discussed—he is not in any position to displease Col. Nasser on a great issue of importance to him personally. On the other hand, it is clear that the tenor of the Prime Minister's thinking on subjects of this kind is that stability should be maintained, and no provocation given for the use of force whatever theoretical "sovereignty" may be. While, therefore, India can be expected to oppose vehemently any use of military force, it will certainly not avoid the conference method, which it has so often advocated for the settlement of international disputes. In other words, whether Egypt is present at the conference or not, it would be difficult for the Government of India to be absent. Egypt cannot maintain that because she owns the land on both sides of the Suez Canal she can do as she likes in respect of its administration which is central to the navigation of the entire world. It may well come about that India's role as a friend of Egypt and as a member of the Commonwealth may be decisive in obtaining an agreement by Egypt to any moderate proposals which the London Conference might evolve. It is clear that the Prime Minister himself cannot be present as he has only just returned, and there is plenty of hard work to be done in Delhi. But if there was a real chance of an agreement being carried out, it would appear that a visit by the Prime Minister to Col. Nasser after the conference might be its catalytic agent. This should be included in the second Five-Year Plan which needs a quiet Suez very badly!

ARGUS.

WORLDGRAM

AGRICULTURE

Dairy Development in Second Plan: It is proposed to establish twelve rural creameries and seven milk products' factories in Hyderabad, Andhra, Assam, Bihar, Orissa, Punjab, Uttar Pradesh, Rajasthan, Pepsu, Madhya Pradesh and Saurashtra during the second Five-Year Plan. In addition, 36 co-operative milk unions—each located in an important town—will be organised during the period 1956-61 to supply milk in their respective areas. Of these unions, two will handle about 500 maunds, eight 250 maunds and twenty-six 150 maunds of milk daily. In the villages, milk production will be organised on co-operative lines. Co-operative rural creameries will be set up in areas where the milk availability ranges from 100 to 200 maunds daily, and the milk products' factories in large "milk pockets" with supplies of 300 to 500 maunds of milk daily.

Science in Tobacco-Growing: Indian tobacco is exported to 32 countries and earns foreign exchange worth Rs. 12 crores or more a year. Moreover, in 1954-55, Rs. 31.4 crores was collected as excise duty. Introduced into the country towards the end of the 16th century, tobacco is now grown in over 8.6 lakh acres. India today stands third in the world—next to the United States and China—in tobacco production the annual output being 555.5 million lbs. The Indian Central Tobacco Committee, constituted in 1945 under the Ministry of Food and Agriculture, is concerned with development of all aspects of production and marketing while the Central Government's Agricultural Marketing Organisation exercises quality control over export.

U.P. Consolidation of Holdings Amending Bill: The President has given his assent to the Uttar Pradesh Consolidation of Holdings (Third Amendment) Bill, 1955. The Uttar Pradesh Consolidation of Holdings Act, 1953, was enacted to provide for the consolidation of agricultural holdings in the State. Certain shortcomings in the Act have come to light as a result of the practical working of the Act, and the present Bill has been drawn up to remove these shortcomings. The Bill contains provisions prohibiting the transfer by way of sale, gift or exchange of any plot or share in any holding included in the scheme of consolidation. It also imposes restrictions on the construction of buildings or enclosures on land during consolidation proceedings.

INDUSTRY

Draft Standard for Poppet Valves: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for poppet valves (inlet and exhaust). Three types of poppet valves, viz. solid, composite and hard-faced valves, have been covered in this draft standard. It specifies material to be used in the manufacture of poppet valves, their preferred stem diameters and tolerances on dimensions, workmanship and finish, and methods of tests. This draft has been prepared by ISI's Automotive Vehicles and Internal Combustion Engines Sectional Committee.

Heavy Electrical Equipment Project: Progress has been made in the preparatory work for the establishment of the Project for the manufacture of heavy electrical equipment in India. The progress is in respect of land acquisition, preliminary civil works, recruitment of personnel, water and power supply etc. This was stated in the Lok Sabha recently by the Parliamentary Secretary to the Minister for Production,

Shri R. G. Dubey. Further Shri Debey revealed that a delegation had gone to UK to select items and designs for manufacture. The training report had also been received from the consultants. The detailed project report was due in November 1956.

Lubrication Oil for Clocks: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for clock and watch oil. This draft standard specifies the requirements and methods of test for viscosity, evaporation, pour points, neutralization value, stability, etc. It is hoped that material conforming to this draft standard will be suitable for lubrication of watches, clocks, chronometers and other delicate instruments which will be exposed to wide range of temperatures. Comments on this draft standard, which has been prepared by the Lubricants sectional Committee, may be sent to the Indian Standards Institution, 19 University Road, Delhi-8, before September 21, 1956.

Concrete for General Construction: The Indian Standard code of practice for plain and reinforced concrete for general building construction is being revised. The proposed additions and modifications to be introduced in the code have been circulated for eliciting comments. The revised code will include new sections on composite columns, and distribution of concentrated loads on slabs and stair-cases. The figures for preliminary compression strength test for ordinary concrete have been introduced and the section on bond and anchorage has been rearranged and modified.

Draft Standards for Bicycle Components: The Indian Standards Institution has circulated, for eliciting comments, draft standard specifications for bicycle cotterpins, washers and nuts and bicycle free-wheels. The importance of inter-changeability, durability and the ability to withstand the rigours of the climate, have been taken into account in preparing these draft standards. They also cover dimensional and material requirements.

TRADE

Indo-Italian Trade: Italy's imports from India increased to 9,854 million lire in 1955 as compared with 7,326 million lire in the previous year. During this period, she imported more of raw cotton, edible seed-oils, coffee, tea and raw opium from India. There are good prospects for marketing some of the Indian goods like cheap cotton textiles for ladies dresses, carpets, handicrafts goods of utility nature like shawls, ash trays, cigarettes, bidis etc.

Foreign Sea and Air-Borne Trade of India in June, 1956: The provisional figures of foreign sea and air-borne trade of India on private and Government accounts during June 1956, according to data so far available in the department of commercial Intelligence and Statistics, Calcutta, are as follows: **MERCHANDISE:** Excluding transit trade of Pakistan but including that of other land frontier countries: **EXPORTS** Rs. 4481 lakhs, re-exports Rs. 102 lakhs (transit trade Rs. 1 lakh) imports Rs. 6317 lakhs (transit trade Rs. 4 lakhs); Total trade Rs. 10900 lakhs; **TREASURE:** Exports of currency notes Rs. 9 lakhs; others nil; Imports of Gold Rs. 3 lakhs; Currency notes Rs. 181 lakhs; others nil. **BALANCE OF TRADE:** The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in imports figures and to the exclusion of figures for transit trade the total value of exports (including re-exports) of

know-how, too,
can be transplanted

IN FERTILE SOIL, technological know-how can find new roots away from home.

Indian Aluminium Company's new 10,000 ton smelter at Hirakud will be India's largest and will triple the Company's current production. To build and operate this smelter, Indian Aluminium Company will draw on the know-how and experience of their Canadian associates.

The Hirakud smelter will be an example of Canadian know-how transplanted to serve a vital Indian industry.



**Indian Aluminium
Company Limited**

A Canadian-Indian Enterprise



merchandise, gold and silver fell short of imports by Rs. 1734 lakhs.

Imports of Automobile Tyres to be Allowed: The Government of India have reviewed the supply position regarding automobile tyres and have decided to allow substantial imports of the following sizes of tyres the demand for which has exceeded indigenous production: 700—20/32; 750—20/34; 825—20; 900—20. The number of tyres of each size to be imported will be such as to eliminate the scarcity now prevailing. The imported tyres are expected to be on the market within a short period. The imports will be handled by the following firms: Firestone Tyre & Rubber Company, Bombay; Messrs. Dunlop Rubber Co. (India), Calcutta; Messrs. Goodyear Tyre & Rubber Co., Ltd., Calcutta, and Messrs. India Tyre & Rubber Co., Bombay. These companies will sell the imported and indigenous tyres of the sizes mentioned above at a uniform price from September 1, 1956.

Import of Cycle Tyres and Tubes: The Government of India have reviewed the supply position of cycle tyres and tubes in the country. They have decided to allow the import of a reasonable quantity of tubes and tyres during the rest of this year to supplement local production and relieve the scarcity now being felt. Messrs. Dunlop Rubber Co. (India) Ltd., Calcutta, will import the entire quantity of tyres and tubes. Imported and indigenous cycle tyres and tubes would be sold at a uniform price. The date from which the uniform price would be effective will be announced shortly.

FINANCE

International Finance Corporation: The Charter of the International Finance Corporation came into force on 20th ultimo when France and Germany completed the action necessary for membership. The Corporation will be an affiliate of the World Bank. Its objective will be to encourage the growth of productive private enterprise, particularly in the less developed areas of the world. IFC's charter required for the creation of the Corporation the adherence of at least 30 member countries subscribing at least \$75 million to the Corporation's capital. The Corporation now has 31 members and capital subscriptions of \$78,366,000. Twenty other countries have indicated their intention of becoming members of IFC, and the Corporation is authorised to have a total capital of \$100 million.

Burmah-Shell Refineries Limited (1955 Accounts): The Directors' Report and Annual Accounts for 1955 for Burmah-Shell Refineries Limited reveal the following items of interest: The Burmah-Shell Refinery with a capacity of approximately two million tons commenced operations at the end of January, 1955, and the quantity of crude oil processed during 1955 amounted to 1,800,000 tons. The cost of construction at 31-12-55 amounted to Rs. 22.62 crores and the full cost on completion of the current construction programme will be approximately Rs. 30 crores excluding working capital. The authorised ordinary share capital is Rs. 23 crores which has been called up to the extent of Rs. 13.82 crores. In addition, the balance on loan account amounting to Rs. 2.92 crores representing advances by shareholders towards cost of construction will be utilised to meet further calls. Due to additional and initial depreciation allowances and development rebate, there are no taxable profits for 1955. The Board have decided to spread the benefits accruing from these special allowances over a number of years and an appropriation of profits has therefore been made to taxation equalisation account. No provision has been made for Debenture redemption and

it has been decided to pay no dividend for the year so that the balance of profits will be carried forward to 1956. The net profit for the year is equivalent to approximately 8 per cent of the capital employed in the Company.

GENERAL

Revised Series for Index Number of Wholesale Prices: The present series of wholesale price indices has as base the year ended August 1939=100. It is desirable to adopt a later year as base, and the question of the appropriate base period is under examination. Meanwhile, an interim series with 1952-53 as base is being issued. The series with 1939 as base will also continue to be published. The number of commodities or commodity groups has been increased from 78 to about 110 and the number of individual price quotations from 215 to more than 550. Quotations have been selected for foodgrains on the basis of the Thapar Committee Report. The Committee has been established to examine the selection of quotations for non-agricultural items, and the interim index will be revised on the basis of the Committee recommendations. The weights attached to various commodities are on the basis of values marketed in 1948-49. For May 1956, the value of the new index is 100.9 while the old index written with 1952-53=100 stood at 102.5. The classification into major groups has been modified and group indices are not strictly comparable. The food group in particular has much wider coverage than before.

Development Plan for British Guiana: Details of a five-year development programme for British Guiana costing over £20,000,000 have been announced in London. A White Paper, just published, says if the plan is approved the expenditure will be financed by loans and grants from colonial development and welfare funds and from surplus revenue. The plan for increasing the colony's prosperity is based primarily on the report of a World Bank mission, and envisages improved transport and communications, including the construction of four ships and three ferries; reconstruction of 70 miles of the trunk road linking Georgetown and New Amsterdam; and a new road linking the west coast to the interior, and extending to the Brazilian border. An airstrip to encourage tourist trade is recommended, and certain rural areas are to be electrified and land settlements organised.

First India-Built Passenger Ship: The 4,000-ton "State of Andamans", the first passenger-cum-cargo ship to be built in India, was recently launched at the Hindustan Shipyard at Visakhapatnam. The ship, which will be owned by the Government of India, will be operated by the Eastern Shipping Corporation on the Calcutta-Andamans-Madras Service. It will transport passengers between Andamans and the mainland, carry essential supplies to the islands and bring back timber from there. In the 12 months ending June 1956, the Hindustan Shipyard delivered three modern diesel engine ships, a record performance since the time when the first ship was delivered from this yard in 1948. Work is in progress in the Yard on two large diesel-engine cargo ships of 8000 tons DWT, both for the overseas trades, and one mooring vessel for the Navy. Work for planning and construction is in hand for a survey ship for the Navy, two 7000-ton ships for the Scindia, one 500-ton ship for the India Steamship Company and one 6000-ton for the Great Eastern Shipping Company. A launch for the Excise Department is ready for delivery and work on a tug for the Madras Port Trust is in progress. Several other ships are in various stages of planning.

NEWS IN BRIEF

INDIAN

The Community Projects Administration has made a further allotment of 266 N.E.S. Blocks for the current year. These are in addition to 172 N.E.S. Blocks that were allotted earlier. The balance of allotment for 1956-57 is proposed to be made by December next.

A design centre is to be opened at Lucknow for the development of handicrafts. This will be in addition to the three regional design centres set up already at Bombay, Bangalore and Calcutta and the miniature design centre at Delhi.

India imported in the last fiscal year 49,038 stoves compared with 29,918 in 1954-55. Imports of stove parts also recorded a sharp increase from Rs. 5 lakhs in 1954-55 to over Rs. 10 lakhs in the next year. The production of stoves in 1955 amounted to 66,626 against 57,167 in 1954 and 42,955 in 1953.

The value of electric fans and parts imported in 1955-56 amounted to Rs. 2,654,000 compared with Rs. 1,255,000 in the preceding year. The exact number of table fans imported is not available but trade circles estimate that the imports has been of the order of 6,000 fans per year.

The production of carding engines, an important item of cotton textile machinery, continues to maintain an upward trend. In the first quarter of this year, the production amounted to 189 engines as compared with 165 in the same period of 1955. Total production in 1955 was 600 against 432 in 1954 and 192 in 1953.

Letters were exchanged in New Delhi recently between the representatives of the Government of India and the Yugoslav Government providing for the purchase of a motor cargo vessel of 10,510 metric tons D.W.C. for the Western Shipping Corporation. The ship will be delivered by January 1, 1957.

A provision of Rs. 20.28 crores has been made in the second Five-Year Plan for the Welfare of the scheduled castes.

A sum of Rs. 71.26 lakhs has so far been spent on the construction of the Indo-Tibet link roads.

Weighing machines of the value of Rs. 8,26,000 were manufactured in India during 1955.

Tea consumption in India increased from 175 million lbs. in 1952-53 to 183 million lbs. in 1954-55.

During 1955-56, the Government of India spent Rs. 4,32,000 on the National Discipline scheme, which aims at bringing the younger generation under a code of discipline and to inculcate in them ideals of good citizenship.

The President has given his assent to the Ajmer Vehicles Taxation (Amendment) Bill, 1956. The present Bill is intended to extend the provisions of the Ajmer Motor Vehicles Taxation Act, 1953, to the limits of the Nasirabad Cantonment.

The Government of India have released a further quantity of 1.58 lakh tons of sugar for free sale. This brings up the total releases so far made for free sale out of 1955-56 production to 11.2 lakh tons.

FOREIGN

It is reported that Fiat and Montecatine have entered into an agreement to form a new company in which each will hold a 50 per cent interest. The new concern, Sorin, will have a fully paid-up capital of 100 million lire (about £57,250). Its function will be to build a power reactor for the production of nuclear power.

Tin and rubber revenue in the Federation of Malaya improved in June. The rubber export duty brought in \$M8.3 million (£844,000) nearly \$M1 million more than in May, the tin duty revenue increase being \$M500,000 to \$M5 million (£580,000).

West German crude steel production in the first half of this year amounted to 11,296,193 tons which was 9.8 per cent more than in the corresponding period of 1955.

It is reported West German exports in June surpassed all previous records. They were 37.2 per cent larger than during June, 1955, and at £234.8 million were £3.5 million in excess of previous record figure attained last December.

Wool consumption in the UK during May was slightly lower than in April and 5 per cent lower than a year ago. On the other hand, the May production of tops was rather higher than in April, but the delivery rate of woven fabrics fell slightly according to the monthly bulletin of the Wool Industry Bureau of Statistics.

World oil production in the first half of 1956 is estimated to have risen by about 70 per cent over same period of 1955.

The American machine plant company, Parsons-Whittemores has concluded an agreement with the Turkish Government for the establishment in Turkey of three large paper factories.

The Yugoslav Railways completed a plan for rail transport modernisation. In future, only electric or diesel engines will be purchased, and an agreement has been concluded with Hungary for the delivery of a substantial amount of new equipment.

World mine production of tin in concentrates in May rose to 14,600 tons from 14,200 tons in previous month, according to the International Tin Study Group of the Hague.

A price increase of 12 cents a barrel on the major grades of Pennsylvania crude oil was announced recently by Joseph Seep, the purchasing agency of the South Peru Oil Company.

It is reported the index of UK export prices (1954=100) rose by one point to 106 between May and June, while the index of import prices fell by one point to 105.

The Ceylon Government has invited a trade mission from China to visit the island in September to discuss prices for 1957 under the rubber-rice agreement.

It is reported that a new record will be established by the Aden Cotton Crop for 1955-56. The yield is forecast at 32,000 bales—9,000 bales more than the previous season.



In the olden days,
soldiers used to wear armour
before going into battle.

The armour had joints in the knees,
shoulders, elbows and ankles.
If any of these joints got stuck
then the soldier inside
would not be able to move.

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oiled and the soldier could run.



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Special Articles

THE FOREIGN TRADE OF EGYPT

IT is the purpose of this article to assess the probable impact of the Canal dispute on the foreign trade of Egypt in case of a serious dislocation of trade relations based on sterling. A study of Egypt's direction of trade, set out in Table I below for the year 1954, puts India on top in so far as exports are concerned, followed by France, UK, Western Germany and Italy—these five countries absorbing more than half the exports. Trade with the Communist countries is increasing, and is expected to improve further because of the present mood and temper in Egypt.

TABLE I.

DIRECTION OF TRADE

(All figures in million Egyptian pounds)

Principal Countries	Imports (c.i.f.)		Exports (f.o.b.)	
	1954		1954	
Austria	2.64		2.48	
Belgium-Luxemburg	5.00(a)		2.46(a)	
Chile	1.96		1.76	
China	0.27		3.97	
Czechoslovakia	2.73		6.03	
France	15.98		15.84	
Germany, Eastern	0.49		0.73	
Germany, Western	17.77		11.39	
Hungary	1.28		1.83	
India	3.96		18.24	
Italy	12.48		10.43	
Japan	1.97		6.81	
Netherlands	5.11		2.90	
Poland	0.47		2.40	
Rumania	1.73		2.67	
Saudi Arabia	5.62		1.81	
Spain	0.30		3.31	
Switzerland	4.81		4.22	
Syria-Lebanon	1.57		2.29	
United Kingdom	20.52		14.32	
USSR	2.32		1.87	
Yugoslavia	0.67		1.14	
TOTAL	160.28		136.71	

Table II alongside gives the composition of export trade of Egypt in 1954. The export trade of Egypt has assumed, during the last thirty years for which assumed, during the last thirty years for which comparable statistics are available, a set pattern. The dependence of the economy for foreign exchange on the export of one single commodity has increased, not decreased, through the years. In 1954, 83 per cent of the export earnings came through cotton and cotton seeds. The question might be posed: can an economy like that of Egypt stand up to a blockade from UK, France and possibly a few more Free World countries? Egypt may have to turn to the Communist bloc for the sale of its cotton. As a matter of fact, Egypt has moved already in that direction and nearly one-fourth of her total cotton exports has been mortgaged to the Communist bloc in exchange for arms. The USSR had not appeared on the export list of Egypt till 1953-54. It was in the year 1954-55 that Egypt for the first time exported cotton to the USSR which amounted to 326,000 cantar (32 million lbs). More than double that quantity was exported to the other satellite countries such as

Czechoslovakia, Hungary, Poland and Rumania. The trend is unmistakable. This is an added proof of the fact that the Communist countries are determined to save Egypt from being ruined by any blockade from the Free World.

TABLE II.

EXPORTS IN 1954 (Composition of exports)

(Weight in thousand metric tons;
value in million Egyptian pounds)

Commodity	Weight	Value
(a) Food		7.36
Barley, unmilled	46.7	2.63
Vegetables, fresh and dry	213.3	2.94
(b) Crude materials		117.87
Cotton	288.1	113.17
Fertilizers, crude	399.3	1.18
(c) Manufactured Goods		7.32
Textile yarn and thread	11.3	4.46
Cotton fabrics	1.0	1.01
TOTAL		136.70

TABLE III.

IMPORTS IN 1954 (Composition of imports)

(Weight in thousand metric tons;
value in million Egyptian pounds)

Commodity	Weight	Value
(a) Food		21.11
Tea	16.3	8.13
Coffee	4.5	1.92
Wheat	49.5	2.29
Fruits and nuts, fresh	26.3	4.71
(b) Beverages and Tobacco		5.35
Tobacco, unmanufactured	11.1	4.67
(c) Crude Materials		14.00
(d) Mineral Fuels		19.10
Petroleum products	1402.6	15.29
(e) Animal and vegetable oils and fats		2.96
(f) Chemicals		20.97
Fertilizers, manufactured	429.6	9.28
(g) Manufactured Goods		35.40
Textile materials and textiles	21.6	13.64
(h) Machinery and Transport Equipment		31.79
TOTAL (including miscellaneous)		160.15

Could India hope to increase its exports of cotton textiles in exchange for raw cotton? The possibility is not ruled out as something like 8 per cent of Egypt's total imports are that of cotton piecegoods. It should, however, be remembered that Egypt has, during the last 25 years, lessened its dependence on imported cotton textiles; back in 1930, textiles accounted for more than one-fourth of the total imports. In addition to textiles, there are other commodities such as tea, tobacco, spices, gunny bags, gunny cloth, coal and oils whose imports from India into Egypt could be enhanced.

The composition of Egypt's imports in 1954, given in Table III, shows the importance of manufactured goods to the economy, followed by machinery and transport equipment, chemicals, mineral fuels and crude materials. Under food which accounts for nearly

21 per cent of the total imports, tea is the most important commodity. India as well as Ceylon could certainly push up exports of surplus tea and buy more of Egyptian cotton. For manufactured goods, chemicals and machinery, Egypt will be at the mercy of Communist countries if none of the Free World countries obliges. West Germany, which has increased its capacity many times during the last decade, could certainly afford to expand its exports to Egypt and possibly will be a thorn in Britain's side. It is unthinkable that Germany and Japan will not take full advantage of a failure in UK supplies. That is the major trend in the direction of trade which is now to be foreseen. There are great opportunities for Indian engineering exports, but perhaps there will be some difficulty in India's supporting them to the full because of Commonwealth considerations.

THREE FRONTIERS OF TECHNOLOGY

By
RALPH J. CORDINER
President, General Electric Company

TODAY we are pioneering for a major breakthrough on three technological fronts. First, the availability of energy and materials. Nuclear energy will definitely be needed in the United States in the 1970's and 1980's to supplement power from our conventional fuels—coal, gas, and oil. But the scientists and technicians will have to work hard over many years to make nuclear power competitive as a fuel in cost. They are working against a constantly moving target, because our efficiencies in the use of present energy sources are improving every year. Recently General Electric had the privilege of designing for the coal industry the motors and controls for an earth-moving shovel which is the largest piece of mobile machinery ever built in the United States. It scoops earth and rock at the rate of more than 100 tons per minute and greatly extends the availability of coal from open-pit mines. It is a spectacular example in the coal industry's drive to cut production costs.

Beyond nuclear energy lies the development of solar energy and such exciting prospects as the economical conversion of sea water to fresh water and the irrigation of vast desert areas of the earth. These are not blue-sky dreams, but scientific facts demanding our best brains for long-range planning. We are already seeing newspaper advertisements headlined: "Wanted: Engineers for Earth Satellite!"

On the second frontier of technology we are multiplying man's mind power. The coal industry's huge earth-moving shovel might not have been built for years if our engineers had not been able to predict its design requirements by use of electronic analogue computers. The effect of invention and innovation on our standard of living is gathering momentum as we learn how to free our scientific and technical people from routine calculations through the application of the new electronic computer technology. For example, the engineering mathematics for jet engine development takes as many as 8,000,000 calculating steps, a problem that would take one man seven years to answer with the ordinary desk calculator machine. A giant electronic computer at the General Electric Evendale, Ohio, jet development laboratory provides such an answer in 15 minutes.

The third front of our advancing technology provides the greatest challenge to wise management in long-range planning because it brings with it a need to understand a wide range of associated problems in human relations. This third front is the technology of

lengthening man's arm, increasing productivity, through automation. The perhaps unfortunate label "Automation" has become one of the symbols of controversy of our times. Yet it should not be. Automation promises benefits for everyone involved: the customers and public as a whole, who will benefit from better products and services at better values; the factory and office workers, who will benefit from the relief from the dullness and drudgery of routine jobs and become the masters, not the slaves, of machines; and investors who will share in the opportunities and risks of great new growth enterprises. It is a failure in our long-range planning and of our ability to communicate our long-range plans that both the problems and opportunities of automation are so little understood. It is natural that people should be concerned that automatic machinery will deprive them of employment. People fear what they do not know, and too little is known of the evolutionary nature of the process. Both the economics and technology of the situation demand a gradual, step-by-step progression from simple mechanization to fully automatic operation.

As industry moves its operations up this scale towards automation, there is greater demand for skilled workers to handle larger responsibilities. An increasing proportion of our industrial manpower will be devoted to the design and making of intricate machines and to controlling and repairing them. This calls for an upgrading of skills and education at every level. In industry, finance and commerce, we must step up greatly our training and educational programmes to help employees prepare for new assignments which will be intellectually far more stimulating. In General Electric we already have some 28,000 employees taking company-sponsored courses for self-improvement. Far from causing mass unemployment, automation is the only solution of our long-range problem of employment. We will not have enough manpower without it to satisfy our needs for more goods and services.

Our population growth and rising standard of living demand that we increase our national output 40 per cent in the next 10 years. But, despite the total population growth, our work force will increase only 14 per cent. The greatest population growth will be in age groups that are either too old or too young for the work force. In order to produce 40 per cent more goods and services with only 14 per cent more workers, either everyone in the work force must work harder and longer, or we must be willing to embrace change

and invest more in productive machinery and methods. If we have the wisdom to plan ahead, the transitions we need to make do not imply violent dislocations and disruptions. In the past 10 years, we have in fact increased the physical volume of our national output 37 per cent, with an increase of only 13 per cent of the work force.

The progressive automation of industry greatly increases the number of employment opportunities in associated fields. Few people realize that the generation, transmission and distribution of electric power is probably the boldest and broadest application of automation to date. At the flick of your wall switch, electricity is instantly and automatically manufactured to your order. The highly automated production and distribution of electric power employs a total of 395,000 people in the United States, but it creates employment opportunities for six and one-half times as many people in electrical manufacturing, contracting, wholesale, retail and trades. The manufacturing industries which have gone farthest in automation and the ones which supply equipment for automation are the ones in which employment is rising the fastest. This includes the

communications, electrical machinery, chemical, rubber, automobile, and petroleum industries.

The costs of automation provide a further incentive to management to do the careful and long-range planning which is the greatest assurance of stability in employment opportunities. Automation compels us to tie into one package our plans for marketing, product design, manufacturing facilities, distribution and promotion, pricing, and, above all, timing. We cannot afford to build these great machines and intricate manufacturing systems and have them stand idle. We cannot afford the ups and downs of seasonal selling, but must plan our products and promotion to sell all year long. Above all, we cannot afford the ups and downs which result when business decisions are based on daily shifts in the wind in place of long-range planning. Long-range planning is essential if only from the standpoint of the material and physical problems and opportunities that lie ahead of us. But, as well illustrated by the example of automation, it is planning ahead to solve the associated problems in human relations that constitutes the greatest challenge to wise business management.

A Letter to the Editor

FREE IMPORT OF GOLD

Sir,

Some time back Greece allowed free import of gold and no questions were asked. Recently Western Germany has permitted it. Why does our currency policy have to toe the sterling line in this matter also? Imports of gold 'without benefit of foreign exchange by the Reserve Bank' will have the effect of

- (1) not prejudicing our balance of payment,
- (2) regularising the large illicit trade in the metal,
- (3) Bringing revenue duty on imports,

- (4) lowering the general price level by lowering the price of gold, and
- (5) creating an anti-inflationary climate which would help the second Plan.

Is there any other side to the question? And if so will some financial pundit enlighten us through your columns? Will Nehru our new Finance Minister consult some non-sterling economists?

Yours faithfully,
A. B. PANDYA

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Economic Report from the U. S.

LONG-TERM SAVINGS

(BY GUY SIMS FITCH)

NEW YORK, July 24.—Americans are accumulating long-term savings in increasing amounts—savings that on top of their ability to buy goods and services help them to conserve resources for retirement and possible emergencies. The US Securities and Exchange Commission this week estimated that individuals in the United States saved \$5,000 million during the first quarter of 1956—more than in any three-month period since the third quarter of 1952. And they did this at a time when their spending was reaching record proportions. Included in their liquid savings during the period was what they put in savings bank accounts; what they invested in stocks and bonds; what they accumulated in pension and insurance programmes and paid off on their consumer and mortgage debts. The most important form of savings was investment in both government and private securities, including \$800 million in corporate stocks and bonds.

It is noteworthy that some 8.6 million Americans—one-third more than four years ago—now have stock in the nation's publicly owned corporations. This represents one out of every 12 adults, compared with one out of 16 in 1952. A study released this week by the New York Stock Exchange reveals that these owners of American industry come from every walk of life and every income level in every part of the country. The spread of stock ownership is further exemplified by the fact that two-thirds of all shareowners have incomes of less than \$7,500 a year. Individuals own about 57 per cent of the 7.9 million shares of stock issued by publicly held corporations. Most of the remainder is in the hands of banks, pension funds, life insurance companies and other institutions. Another recent study, this one by the Institute of Life Insurance, shows that the accumulated long-term savings of Americans now amount to more than \$240,000 million, exclusive of stock ownership. During the last four years, while consumer spending has been soaring,

Americans actually have been enlarging these savings at a rate of \$13,000 million a year, compared to an average growth of less than \$7,000 million a year in the previous four years.

In the past generation, these savings have shown a rate of growth more than twice the rate of growth of the country's economic activity as a whole. Since 1920, the nation's output of goods and services has expanded four-and-a-half times, while long-term savings have increased ten-fold. Both population and living costs, of course, have risen since 1920—population by 60 per cent and living costs by one-third. But thrift has more than kept pace. The total of savings now comes to \$5,000 per household more than five times the 1920 figure.

The increase in personal savings—whether in securities, government bonds, insurance reserves, bank accounts or any other form—has contributed to the expansion of the nation's supply of capital for productive investment. Not only are the people themselves investing directly in corporate enterprises; but because of the public's ability and willingness to save, life insurance companies and other thrift institutions have become a major source of credit and investment funds for business and industry, the home owner and the government. At the same time, these savings provide a clear indication of the great increase in protection the average American and his family now enjoy against the economic impact of death, disability and retirement.

Keith Funston, President of the New York Stock Exchange this week characterized the American economic system as the "most successful ever devised". He called it a "people's capitals" a term which under the impact of growing individual assets in the US is steadily gaining ground as a brief and fitting description.

THE STEEL SETTLEMENT

(BY GUY SIMS FITCH)

NEW YORK, July 31.—Last week's agreement signalling the end of the month-long steel strike sets a number of precedents that promise to have deep and lasting effects on the steel industry and the U.S. economy as a whole. The Union's acceptance for the first time of a three-year contract containing a virtual no-strike pledge lends a new measure of stability to the industry. The traditional two-year pacts, providing for a reopening of wage issues every year, used to imply a year-by-year threat of work stoppages—a threat that entailed many uncertainties for the entire U.S. economy.

The new contract's long-term assurance of labour peace makes it easier for the steel industry to plan ahead. The industry already has set itself a goal of adding at least 15 million short tons to its capacity in the next three years, requiring capital outlays of more than \$1,000 million a year. And with uninterrupted steel output, other industries will be better able to go ahead with their own expansion programmes. All this can mean a more stable price structure generally, and a lessening of those inflationary pressures that may follow the rise in steel prices now expected in the wake of the strike settlement.

In addition to a straight wage increase averaging 10.5 cents an hour in the first year and 9.1 cents an hour in each of the next two years—over and above their pre-strike average earnings of \$2.47 an hour—the steel workers won a number of important "fringe" benefits. Among these are more liberal holiday, vacation, insurance and pension allowances. Even more important, perhaps, the steel workers won their first "supplemental unemployment benefit" plan—the most extensive plan of its kind in a major American industry. Under it, laid-off workers with two or more years' service are entitled, for a full year, to unemployment benefits paid by employers to supplement the general unemployment compensation paid by the States.

The settlement also sets a precedent in providing for extra compensation for Sunday work in a continuous-production industry in which plants operate without interruption while work schedules are based on a 40-hour, five-day week. As in some other industries, steel wages will rise automatically with the general consumer price level—a protection against a possible cost-of-living increase during the life of the new agreement. The dollar-and-cents value of the steel settle-

ment is estimated by the Union at a three-year total of 45.6 cents an hour for each worker. To the industry, this means a labour cost increase of more than \$1,300 million over the three-year period. The immediate steel price increase now expected to follow the cost rise may range anywhere from \$8 to \$13 a ton. The present price of steel comes to \$130 a ton.

Some of the price increase undoubtedly will be reflected in higher prices for finished products, particularly for capital goods which are in great demand today as American business men pursue their expansion programmes. But price rises may be more moderate on consumer items containing steel, because of the competitive nature of the present consumer market and the increasing efficiency of American industry.

The steel shutdown is expected to leave few serious wounds. The \$20 million in lost wages will be offset in part by regular vacation pay for the strike period, in part by future overtime work once the mills resume operation. The nominal production loss of about 8 million tons of steel will be made up largely by high output rates during the rest of the year. Demand will be especially heavy in such industries as construction, oil and railroads, hardest hit by steel shortages during the strike.

With steel and other strike-affected industries recalling workers and preparing for full-scale operation, the American economy is coming out of this 1956 steel strike with a new verve and with that resiliency that has been its principal post-war characteristic.



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HUMAN RELATIONS IN INDUSTRY

By

CROESUS

A RECENT editorial in 'The Eastern Economist' rightly observed: "Free Enterprise in 1956 is not Free Enterprise in 1900". It would undoubtedly have been regarded as a sacrilege in 1900 to argue—as the manifesto of the Forum of Free Enterprise has done in July, 1956—that "Free Enterprise must and can operate only within the framework of values and principles of democratic society, moving as a balanced wheel satisfying the needs of the consumer, worker, and investor". I do not know whether the needs of the consumer and the investor are being fully satisfied as yet, but I do recognise there are certain limitations that inhibit the practical translation of this ideal desideratum. For one thing, the authorities look askance at a high rates of dividends. When it is a question of return to the investor, they seem to take into account only the absolute figure of the dividend and the original paid-up value of a share and forget that the current rates of dividends have followed years of low or no dividends and also that the ruling prices of shares are in many times higher than the original paid-up value; in other words, the cost of a given share is not the same to all investors alike. Secondly, the authorities do not bother about low or high profits in deciding on the rates of taxes; they are more influenced by budget considerations, that is filling up the widening gap between revenue and expenditure. In the result, the tax burden goes on increasing and, to the extent that this additional incidence of tax eats into the disposable profits of an industry, it severely limits the ability of that industry to offer relief, by way of reduced prices, to consumers. In a way, thus, if the investor and the consumer are still denied full satisfaction of their reasonable needs, it is the authorities that are to blame.

Fortunately, the worker is on a different footing. For, as much as the employer, the authorities are also interested in ensuring that the workers' needs are fully satisfied. Invariably all labour awards favour the workers. Nevertheless, no enlightened industrialist or employer grudges the resulting few more rupees to his workers, although he does expect, and has a right to demand, that the workers do respond to this gesture by way of increased productivity. It is recognised, however, that increased productivity may not be feasible in every case for a variety of causes affecting the worker. Accordingly, some of the employers are considering enough to go even so far as to look into the reasons for the workers not being able to respond, if any are endeavour to effect the required changes, if any are needed. Here it is essentially the human side of the problem, wherefore industrial psychology and all manner of sociological studies are pressed into service by a few employers at least in order to find out suitable solutions. Indeed, the latest trend in all economically advanced countries is for instituting specialised studies on the human problems of industrial communities. The Duke of Edinburgh's Study Conference on the Human Problems of Industrial Communities within the Commonwealth and the Empire, which met at Oxford last month, also had the same objective in view. It is important to remember that, in the Commonwealth and the Empire itself, let alone the whole world, not all regions are equally advanced economically. Again, some of these, like India, are predominantly rural and, as is only to be expected, the problems that industrialisation gives rise to in such societies are quite different from those that follow industrialisation in predominantly urban societies such as those of the more economically advanced nations of today. This is an

aspect that needed especial emphasis at any conference of this kind, and it is gratifying to find that Mr. J. R. D. Tata, who was one of the five key speakers from the Commonwealth that were invited to address the Duke of Edinburgh's Conference, at Oxford, chose this very subject as the theme of his address.

According to Mr. Tata, the problem of human relations in a predominantly rural society consists in meeting three main requirements, namely, (i) to provide for the basic material needs of the workers, (ii) to provide, both within and outside the factory, the means of satisfying the more intangible, but equally strong, human desire for self-expression and fulfilment and other urges characteristic of group life, such as the recognition of individual worth, opportunities for promotion and leadership; and (iii) to cope with the special problems and causes of unhappiness among those freshly transplanted from the villages for whom the stress of transition is obviously likely to be greater than for those already hardened by city life. For this purpose, that is, "to ensure the fulfilment of individual and collective life within the industrial society", he wanted an effort to be made "to render it possible for industry to be not only a source of employment, but also a way of life." Is not this one sentiment enough to give the direct lie to those who continue to accuse Free Enterprise of caring more for the machine and the building housing it than for the man who operates the machine?

Mr. Tata next went on to develop his concept of "the autonomous plant community," in which, he said, with obvious approval, there was a distinction between "the functions and activities of community life, on the one hand, and job functions and activities, on the other." He was for giving some say and freedom to the members of the plant community to participate in the management of these matters, thus providing "an effective extension of the democratic principle and a partial substitute for the sense of belonging and participation," which, as he noted, are important elements of life in any village community.

To give some say and freedom to participate is not to surrender any functions of the management, continued Mr. Tata, and declared: "I am firmly in agreement with the proposition that management's duty is to manage. The important thing, however, to be clear about is what management is to manage". And he thought the assumption of exclusive responsibility by the management where the social organisation of the society within the factory did not impinge directly on the economic performance of the enterprise to be quite unnecessary. In this connection, he digressed to draw an analogy from the experience of the armed forces to emphasise that the leadership, the stress on human relations, and the concern for the men's well-being, which form part of the officer's duty in the Indian Army, are worthy of emulation by Indian industry. Lest he should be mistaken as pleading for regimentation, Mr. Tata actually went somewhat out of his way to emphasise that "all the thoughts I have expressed up to now on the industrialisation of underdeveloped economies have been on the basis that the progress is to be implemented by democratic means as it is sought to be done in my own country". In fact, he expressed his considered belief that "the Indian transition would be all the easier and happier for its being achieved by free men in a free society." As he appropriately added, "if, in the years to come, India succeeds in building, by democratic means, the prosperity of her people, she

will have made a decisive contribution to the survival and continued progress of the democratic way of life". It is a pity that the vital significance of this is not appreciated fully not only by some misguided sections of the public in this country but even by the men of calibre that today decide the destinies of the leading democracies in the world. The latter especially, it seems, have yet to size up the grave implications of another Asian country, China succeeding—by adopting totalitarian methods—

INDUSTRIAL CITIZENSHIP

By

CROESUS

THERE is always something of interest in the Annual Reports of the Industrial Health Department of Tatas, and the Chief Industrial Health Officer, Mr. H. P. Dastur, can be depended upon to provide a new angle or a different slant in every one of these reports. This time, after the usual references to medical aid, environmental and mental hygiene, and the summing up of various activities, he has, in his concluding remarks, appropriately stressed the importance of training for industrial citizenship. "Such training," he claims—and rightly enough—"is necessary to remove the surface friction between man and machine."

Mr Dastur has done more; he has explained the good points of automation—"a recent phase of industrial revolution"—which, he confidently says, has come to stay. "Its good point," according to him, "is that it leads to a safer and cleaner workplace and gives hope of creating, in the long run, more jobs than it may displace in the immediate present. But the worker resents automation, for he is mainly interested in the security of his present job. What, however, calls for serious thought is that automation replaces not only the worker, but also work, and work alone can feed man's body, mind, and spirit. The automation machine not only eliminates man from work, but also alienates from their work those few who are needed to operate its electric controls. They can have no personal relation to it."

But, at the same time, Mr. Dastur points out, "it becomes more necessary than ever to pay attention to social values and the all-round health of the working personnel to balance such one-sided over-development of economic values and technical progress". This means, he goes on to say, an influx of specialists of all sorts and, if such a conglomeration of different types of individuals is not to torpedo the desired results, training becomes obviously imperative. In this context, projects like those of company information courses, managers' seminars, staff training colleges, training within industry (TWI) and joint refresher courses which Tata Industries have introduced in recent years assume special significance.

While recognition within the Tata organisation has pleased Mr. Dastur, he is justifiably even more happy to find that an industrialist has become the Vice-Chancellor of an Indian University (Dr. John Matthai of Bombay University) and that four Indian Universities have plans for post-graduate courses on business management. Here is clear proof that it is no longer right to say that "education makes a man too good for business!" Encouraged by this, doubtless, Mr. Dastur exhorts that it is high time that our universities shed the "social snobbery characteristic of the 19th century that the best people, the gentry, did not go into business".

in her attempt spectacularly to raise the standard of living of her people. Then, he it noted, the millions in the underdeveloped areas of the world will not pause to think of the means employed, which means, to quote the timely warning of Mr. Tata, "the cause of human freedom will have suffered a grievous setback". The writing on the wall is becoming clearer with every day that passes and it is only those who are still suffering from the incurable myopia of refusing to face realities that will not see it.

Then there is small but subtle distinction between "Bargaining" and "Participation", on which Mr. Dastur successfully focusses attention by stating that, while the former (in which there is talking at people) only invites conflicts instead of removing them, the latter (in which there is talking with people) leads to mutual better understanding which is very likely to bring out one's own urgent need for developing a team spirit through training. It is intriguing, however, to find voiced in so matter-of-fact a publication as this the old but not happily worn-out sentiment that "only a religious heaven added to the technological progress can bring peace and prosperity to industry." One hopes the powers-that-be of our secular State would not rush to find in this a red herring.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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

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BUSINESS NOTES

WILL 1956-57 COTTON SEASON SEE THE END OF SURPLUS PROBLEM?

WORLD COTTON situation, with particular reference to the ever increasing American surplus cotton, has in no way changed for the better during the 1955-56 cotton season, which has just ended. If, despite redoubled efforts of America to dispose of her surplus cotton to the maximum extent possible, she has not been able to touch more than the fringe of the problem, it only serves to underline the need for a complete reorientation of the US surplus disposal plan. It is needless to emphasise here that, in the preparation of a blue-print for the purpose, America should strive to respect the susceptibilities of all major cotton-growing countries; otherwise, the vigorous protests made against the manner in which America has contrived to palm off her cotton with the bait of lower prices or of helpful bilateral trade agreements—as in the case of the triangular deal involving India, America, and Burma, whereby cotton sent from the US ultimately reaches India via Burma for being processed in this country—would only grow in volume in which event it cannot lie in America's mouth to retort that she is being unjustifiably accused of 'dumping'.

The one good thing, if at all, that the 1955-56 season has done to cotton, as far as the world surplus problem is concerned, is America's decision to stick to its Soil Bank Plan, despite strong opposition to the move from various quarters. But, even here, it must be noted, the actual benefits that cotton is to derive from the implementation of the Soil Bank Plan will not be available immediately. On balance, therefore, it would not be far wrong to conclude that the 1955-56 cotton season has failed in so far as successful implementation of the US surplus cotton disposal scheme is concerned.

Against this background, it is somewhat comforting to find that the period beginning from August 1, 1956, namely the 1956-57 cotton season, promises to offer some relief to the world cotton surplus situation—not via America, though. It is common knowledge that a surplus in any commodity arises from a failure to establish a balance between supply and demand, as, for instance, when all checks against increased production prove inadequate to meet the situation. America's efforts to restrict cotton production through a cut in acreage proved ineffective, when, thanks to intensive cultivation, aided and abetted by the vast strides made in the preparation of modern fertilisers and compost—not to speak of mechanical equipment to further intensive cultivation—the per-acre yield of cotton in the US came to be the highest on record! Incidentally, the Soil Bank Plan has as its aim the discouraging of this very tendency on the part of American farmers to continue thus to resort to intensive cultivation.

If, therefore, on the production side, there is not going to be an appreciable change until at least the end of the 1956-57 cotton season is completed, when, perhaps, the Soil Bank Scheme could be said to have worked for a sufficiently long period to yield results, the solution must perforce lie on the consumption side. According to the International Cotton Advisory Committee, Washington, there is every reason to believe that cotton consumption during the season that has just ended would prove to be higher by 400,000 bales over the last—the 1954-55 cotton—year. If this trend is followed up by a substantial increase in world cotton consumption during the new 1956-57 cotton season also, then, the imbalance between supply and demand, which has been an ugly feature of the world cotton statistical picture for the past few seasons would be set right. That would brighten the prospects of a speedy and effective solution of the surplus problem in a more

sober and dispassionate atmosphere. What is needed is a long-range policy which would slowly but surely lay the axe to the root of the problem and do away with any burdensome surpluses in the future.

DESHMUKH'S RESIGNATION AND THE STOCK MARKET

IN RECENT weeks the stock markets in the country have had to contend with many uncertain issues. The most important and potent of these which persisted in manifesting itself again and again was the resignation threat by the erstwhile Union Finance Minister, Sir Chintaman Deshmukh. Apart from the official versions which were made known to the public, first, in the third week of April and then, in the second week of June, followed by the ultimate notice of resignation on July 25, 1956, there were several garbled versions of the same story which were circulated in the market off and on by interested parties.

When the resignation threat of Sir Chintaman was first reported in the Press, in the third week of April, the Bombay Stock Exchange reacted adversely. A market, which was otherwise displaying a distinctly bullish trend, found itself suddenly taking a different course. Similarly, during the second week of June, the threat of resignation held out by the former Union Finance Minister was one of the factors that gave a bearish slant to the market. In sharp contrast to this, however, the market reported a cheerful atmosphere not only on the day of Sir Chintaman's actual resignation, on July 25, but also on the first trading day following the resignation that is on July 27 (the market was closed on the intervening day due to the sad demise of the late Shri Pranlal Devkaran Nanjee) when the Bombay Stock Market was marked by an all round buoyancy. It may appear strange that a market which set so much store by the threat of his resignation should not have so much as taken notice of his actual resignation. But like many other happenings, probably, this was also one which the market had sufficiently discounted, so that when the event did happen, it failed to start even a ripple. Nevertheless, it must be said that the reaction of the market to Sir Chintaman's resignation has been in striking contrast to that which followed the resignation of Dr. John Matthai as Finance Minister, and that is indeed intriguing.

ACCELERATED INDUSTRIALISATION

ADDRESSING THE 20th annual meeting of the Association of Indian Industries, in Bombay, Dr. Jivraj Mehta, Minister for Finance, Prohibition and Industries, Government of Bombay, visualised bright prospects for the rapid industrialisation of the country. Assessing the progress of the first Five-Year Plan, he said that the progress during the past five years was highly satisfactory and added that the contribution of Bombay State too was significant. Thus, during the five-year period from 1951-1955, the Minister said that there had been a net increase of 336 registered factories in the State, giving additional employment to about 57,000 workers. It is noteworthy that Dr. Mehta claimed that this progress was achieved as much by the co-operation and the enterprise of the private sector as by the sound policies pursued by the Government. Coming from so difficult-to-please a person as Dr. Mehta, who has seldom missed an opportunity of hitting out at free enterprise, this is rather significant. Maybe, the birth of the Forum of Free Enterprise has begun to open the eyes of our politicians to the contribution of the private sector in this country.

Be that as it may after speaking to the industrialists to continue to show the same co-operation in future

also, Dr. Mehta observed how, in the course of the second Plan, cottage and small-scale industries have been accorded an important role to play. In this connection, he catalogued the steps taken by the State Government to assist small industries, such as the establishment of the Small Industries Service Institute, the financial aid given by the Bombay State Financial Corporation, and the establishment of the National Small Industries Corporation.

Earlier, the new President of the Association, Mr. D. M. Desai, stressed the need for a vigorous export drive and for a shift from export control to export promotion. In order to promote the export trade, he advocated better banking facilities and increased participation in foreign exhibitions. At the same time, he regretted that adequate attention for the development of the ports was not given to meet the needs of the second Plan. The new president also complained—and very rightly—that the rise in the rewards of labour for maintaining industrial peace should not run ahead of the increase in productivity. This is particularly relevant to the circumstances of today in our country when so much stress is being laid on stimulating exports to earn as much foreign exchange as possible. For, in the absence of a corresponding increase in productivity, increased rewards to labour only tend to inflate the prices of our exports. In this connection, it is worth noting here that, although the average output of finished steel per employee (in TISCO) went up in 1955-56—for the first time in recent years—the rise in average income has outstripped that in average output, with the result that the average labour cost of finished steel output has risen by Rs. 2 per ton.

REVISED POLICY FOR ORE EXPORTS

THE REVISED policy in respect of exports of iron and manganese ores for the current half year has been announced. The compromise between the Government and Messrs. Serajoodin and Co. in the interim stay proceedings before the Supreme Court has expedited the adoption of a full-fledged policy for the July-December 1956 period. As affirmed by the Government before the Supreme Court, its intention was not to create a monopoly of exports for the State Trading Corporation. But it was most urgent that the ban on the grant of export licences to the Corporation should be removed in order to enable it to honour its commitments abroad and to avoid the possibility of payment of damages in the event of default in exports.

The revised policy strikes a reasonable compromise between the claims of the established channels of export in the private sector and the new claims of the State Trading Corporation. This result, however, cannot conceal the important fact that the State Trading Corporation has been allowed a share in the export trade as a newcomer at definite cost to the private established channels. Private exporters are to be allowed two-thirds of the quotas allotted to them for the second half of 1955. In cases where they exported quantities otherwise than against the allotted quotas, quotas for the current half year will be granted to the extent of three-fourths of the total quantities exported by them in the second half of 1955. Wagon facilities have been assured to mine-owners and shippers on a pro rata basis on the same lines which they used during the corresponding period of the last year. Quotas for the two ores are not interchangeable. But since manganese ore constitutes an effective earner of dollar currency, the Export Control authorities have been granted discretion to consider sympathetically their request for exchange of iron ore quotas for manganese ore quotas. All in all, the revised policy would go a considerable way to conciliate the view-points of exporters in the two sectors.

TUBE MANUFACTURE — THE SMALL SECTOR

THE SMALL sector of the tube manufacturing industry is eking out a marginal existence for quite a considerable time. Worse than that, in West Bengal where this industry is largely concentrated, half the units find their plants idle. This industry which was started during the war lost much of the initial advantage by way of shortage of overseas supplies. Its troubles date back to the last five years, but they have become somewhat acute during the last three years. It would appear from last Friday's presidential speech of Mr. Soorajmull Gupta at the Indian Pipe Manufacturers Association's annual meeting that the Association has not been able to get adequate redress for the industry's grievances. Originally the units in the small sector were devoted to the manufacture of conduit pipes, but with the passage of time they switched over to the manufacture of water pipes owing to similarity of manufacturing process. One difficulty of this industry is to obtain a continuous and sufficient flow of supplies of raw materials. In so far as conduit pipes are concerned, this supply seems to be enough, but in respect of the requirements of other types the situation is unsatisfactory. Whatever supplies are made available on ad hoc basis do not solve the industry's problem. The ten units in West Bengal representing half the number in that State have a capacity of 20,000 tons of annual production. How much they are actually producing is not clear. But the Chairman has stated that the Association's request for restriction of imports has not been granted by the Government on the ground that imports are decidedly advantageous. Presumably, this means that on the score of price and quality the indigenous small sector has to make progress. The Association's stand is that, unless a steady and continuous internal market is assured, it would be extremely difficult for the industry to modernise its plant and achieve the needed progress.

Its difficulties are bound to be aggravated in the near future because two modern and large scale plants for the manufacture of tubes of different sizes have now been set up in this country. The capacity of the Kalinga (Orissa) is stated to be 30,000 tons. The Indian Tube Co. (1953) Ltd., which is a Tata-Stewarts combine, has in initial manufacturing capacity of 30,000 tons annually, according to the Chairman. Thus the combined capacity of the two plants comes to 60,000 tons. As against this the requirements at the end of the first Plan were slightly above 50,000 tons. There can be no doubt that in view of the irrigation and housing programmes in the second Plan the increase in demand will be substantial. The contention of the Association is that the manufacture of tubes between the sizes of 1" nominal bore and 1½" nominal bore should be reserved for the small sector and the large-scale plants should devote themselves to larger sizes. It is further contended that the two large units should cater to the export market also. This solution has to meet certain difficulties. Actually the Indian Tube Company's Fretz Moon Plant has a capacity of 90,000 tons and the tubes to be manufactured range between ½" nominal bore and 3" nominal bore. As the capacity of the two plants comes to be fully utilised progressively, there will be no need for imports of types and sizes which they will manufacture. In the immediate future it may be possible to extend relief to the small sector, but in the long term context its problems will again prove rather intractable.

SHIPPING EXPANSION IN JAPAN AND BELGIUM

THERE ARE several other countries besides India which are required to expand their fleet urgently. Japan and Belgium are but two notable examples, but they seem to be able to solve their problems without

much fuss. India, on the other hand, still seems to be groping her way, although there has been much fanfare about increasing India's shipping tonnage. In the context, therefore, of our pitiable plight, when, even after knowing our minimum requirements by the end of the second Five-Year Plan period to be 1,233,000 g.r.t., our planners have provided for only 900,000 g.r.t., and have further failed to suggest effective ways to raise the required finance for even this short provision, the successful endeavours of these two countries to expand their mercantile fleets have an important lesson for us. Both these countries have doubtless been encouraged lately to redouble their efforts by the boom in the freight markets which, it may be noted, have continued to be firm ever since the last quarter of 1954. But the very same phenomenon has apparently left the powers-that-be and the interests concerned in India practically unmoved, which is more saddening than surprising.

When more tonnage is wanted, there are three courses open to any country: (i) to build more ships, (ii) to buy new ships from other countries or to go in for second hand vessels and (iii) to acquire tonnage on long-term charters. This is not to say that only one of these causes is to be adopted to the exclusion of others; one or more of these may be employed as Japan has demonstrated. Japan has large shipbuilding facilities but, due to the extensive orders with her yards, she is finding it difficult to get as many ships as she needs. In order to get over this, the Japanese shipping interests have been prevailing upon their Government to abandon the policy of discouraging the purchase of secondhand ships. As in our country, the same old excuse of foreign exchange shortage is trotted out there also to discourage the purchase of secondhand ships, preference being shown to acquire ships on long-term charters. But there is a strong opinion in Japan which feels that, although the purchase of foreign secondhand vessels, instead of acquiring tonnage on long-term charters, may mean a temporary increase in the expenditure of foreign currency, the operation of the foreign vessels purchased will offset such expenditure by the foreign currency earned by these vessels. Of course, the several ways in which the Japanese Government encourages shipping are common knowledge.

In Belgium, in addition to important credits with reduced rates of interest and with State's guarantee granted to shipping companies, a policy only recently reiterated by the Belgian Prime Minister, the Government has agreed to the request of private shipowners to grant further credits for purchase of secondhand vessels. This State policy of active encouragement to Belgian shipping has resulted in not only the placing of orders for 16 vessels of a total of 173,000 tons but also the acquiring, for the Belgian flag, of some 250,000 to 300,000 tons of secondhand vessels. No wonder, the Belgian merchant fleet is expected to be doubled in the process in the not too distant future.

PROSPECT FOR JUTE INDUSTRY

THE YEAR 1955 was a year of good luck for the Indian jute industry. The response of the internal and external markets was very encouraging and for the first time since 1948 the industry achieved the record of producing 10 lakh tons of jute goods. On the export front the position compared favourably with the previous year. North America, Continental Europe, the Middle East, New Zealand and Australia increased their off-take of gunny cloth and the larger demand from these countries was more than enough to counteract the decline in the demand from the U.K., Egypt, Sudan and South America. In spite of this happy picture of the

last calendar year, the problem as to what prospect is posed before the industry continues to cause anxious thinking.

At last week's annual meeting of the Gunny Trades Association, the President, Mr. V. N. More, offered certain suggestions to consolidate and strengthen the position of the industry as well as the jute trade. He has urged that the question of taking concrete action on standardisation of the quality of jute goods must now be treated as a pressing problem because any loss of goodwill on the score of quality in a highly competitive market will cause serious damage which would take long to repair. He has also pleaded that all the components of the trade and industry should take concerted action to ensure that wide fluctuations in prices are not allowed to occur because this is one factor which costs the reputation of the industry very dearly. The experiment over unsealing of looms and a partial revision of this policy by resealing a small percentage has made it necessary that some other way out should be found to engage the capacity of the looms put out of commission. Mr. More suggests that the possibility of producing cheap but artistic and useful fabrics by admixture of jute with other fibres should be explored to re-employ idle loomage capacity. It is, of course, admitted that this would be a partial solution. He has repeated this year again his plea that the Indian and Pakistani jute industries should take co-ordinated action to regulate capacity in reasonable relation to the world demand. However ideal this solution may appear, it is difficult to ignore that any problem of economic co-operation between India and Pakistan is unlikely to be dealt with purely on an economic plane in the prevailing situation. The Indian industry has proceeded firmly on the path of modernisation and half of the 38 jute mills are believed to have modernised their equipment. This is a sound step in the direction of consolidating the position of the industry. At the present time the primary preoccupation of the industry is undoubtedly consolidation of its position. It is good that the home market is expanding and is bound to expand during the period of the current plan. The long-term difficulties of the industry, however, will have to be dealt with stage by stage.

A GREAT BUSINESS MAN AND BANKER

THE BOMBAY business world generally and the Indian banking circles in particular lost a doughty champion in the death of Mr. Pranlal Devkaran Nanjee on July 25, 1956 at the age of 63. A person of sweet reasonableness, the ever smiling Pranlal managed to keep everybody with whom he had to deal, or came in contact, in good humour and always on the right side, without, at the same time, yielding ground to anyone where principles and fundamentals were involved. As President of the Indian Merchants' Chamber, but even more as the Founder-President of the Indian Banks' Association, Mr. Pranlal not only made his presence felt in the highest counsels of the country, but made a concrete contribution to the cause of business, Indian banking in particular. In expounding the cause of Indian banking, he, at times, had to take a stand that displeased some non-Indian banking interests, but it is noteworthy that even the latter did not feel sore about it because of the broad understanding and sympathy that characterised the dealings of Mr. Pranlal. A staunch nationalist, he was mainly responsible for reviving the Swadeshi movement in recent years and the Swadeshi League, of which he was the inspirer and moving spirit behind, will ever remain a mark of this glowing tribute to the services to his country of this great nationalist, business man and banker. May his soul rest in peace!

COMPANY AFFAIRS

TATA IRON AND STEEL CO.

A substantial rise in the gross profit from Rs. 7.97 crores to Rs. 11.66 crores, more appropriations to the plant rehabilitation and development fund and to the development reserve (Rs. 3.28 crores and Rs. 78 lakhs, as against Rs. 1 crore and Rs. 10 lakhs, respectively) and a steadily expanding block (Rs. 69.55 crores against Rs. 59.49 crores) are the main features of the accounts of the Tata Iron and Steel Company for the year ended March 31, 1956 just published. Consequent on the increased allocation to development funds under the terms of agreement with the Government of India, the net profit of the Company has declined from Rs. 1.93 to Rs. 1.75 crores. Together with the amount brought in from the previous year and the income-tax recovered from dividends on preference shares, the amount available for disposal, at Rs. 1.95 crores, is lower than that of the previous year by about Rs. 34 lakhs. The total gross profit, after providing for managing agents' commission of Rs. 28.43 lakhs amounted to Rs. 11.66 crores, as against Rs. 7.97 crores in the previous year. Other provisions were: taxes: Rs. 3.45 crores against Rs. 2.4 crores, depreciation, including Rs. 14½ lakhs on collieries block, which has now been conceded by the Tariff Commission: Rs. 2.39 crores against Rs. 2.35 crores; plant rehabilitation and development: Rs. 3.28 crores against Rs. 1 crore, and development reserve (that is, tax rebate): Rs. 78 lakhs as against Rs. 10 lakhs. There was no allocation to the general reserve during the year under review, while, in the previous year, this account was credited with Rs. 31.99 lakhs. But dividends recommended would absorb the same amount as in the previous year, namely Rs. 1.91 crores. The amount left to be carried forward, after all these appropriations, is a little over Rs. 4 lakhs, compared to Rs. 5½ lakhs in the previous year.

The Directors explain the decline in disposable profits as being due to lower sales of scrap and ferro-manganese which, however, were partly compensated by higher sales of pig-iron. According to the Report, the Company drew from the Government of India Rs. 4.39 crores against the special advance of Rs. 10 crores to meet a part of the cost of the Company's modernisation and expansion programme. Up to March 31, 1956, the total amount drawn was Rs. 9.19 crores, which means that there is left a balance of only Rs. 81 lakhs to be still drawn. In the opinion of the Directors, the most important event was the decision made in consultation with the Government of India to expand the Company's output to a total of two million ingot tons at an estimated cost of Rs. 75 crores. Arising from this, the Company arranged for a loan of Rs. 36 crores at 4½ per cent repayable after 15 years in instalments commencing from 1960 from the International Bank for Reconstruction and Development. Of great significance is the fact that the first instalment of \$2,355,000 due in 1960 towards the repayment of the loan to the World Bank by the Company has been taken over by three commercial banks in the USA at an interest rate of 4½ per cent, or ½ per cent less than the World Bank rate.

A notable achievement of the year under review was the Company's steel output which was the highest for any post-war year. The entire increase in the production of saleable steel was in semi-finished material. The output of finished steel products, however, declined by 16,000 tons to 577,000 tons in 1955-56. The Directors attribute the decline in the output of finished steel to the closing down of the 10" mill in the Bar Mills from January 11, 1956—according to schedule though—and to the limitation on the output of the Merchant Mill imposed by the higher proportion of lighter sections rolled. The

lower output was also due to the unsatisfactory conditions in the Plate Mill which is due to be replaced under the Company's modernisation and expansion programme.

The total despatches of saleable steel during the year amounted to 756,000 tons, as against 749,000 tons in the previous year, while the steel retained in the Works for construction and maintenance amounted to 45,000 tons against 49,000 tons in the previous year. There was a more substantial increase in despatches of pig-iron from 79,000 tons in 1954-55 to about 1,30,000 tons in 1955-56. It is interesting to note here that some 13,000 tons of these were exported out of India. The despatch of only 2000 tons of ferro-manganese in 1955-56, as compared to about 12,000 tons in the previous year, is understandable, because there was no production of ferro-manganese during the year under review and the despatches were only from stocks.

The total expenditure incurred during 1955-56 on the various projects of the two-million-ton-expansion-programme, as also on normal annual replacements and improvements, aggregated about Rs. 12 crores. This, however, compares with total requirements of finance on all the items of expenditure contemplated for the five years commencing from April 1, 1955 as much as about Rs. 113 crores! Outlining the details of expansion programme in their report, the Directors observe that satisfactory progress has been made so far on the execution of the programme. It is stated that the total value of orders placed amounted to a little over Rs. 16 crores. Since the account was prepared this amount has gone up to Rs. 23 crores.

References are also made in the Report to the proposed refractories plant at Belpahar (Orissa), to the plant for recovery of scrap from slag at Jamshedpur, and to the ferro-manganese plant to be installed at Joda (in Orissa).

TATA OIL MILLS CO., LTD.

A record gross revenue and a substantial improvement in the operating results generally are disclosed by the Directors' Report and Audited Statements of Account of the Tata Oil Mills Co., Ltd. for the year ended March 31, 1956. Thus, gross revenues at Rs. 5.74 crores, were more than a crore higher than the gross revenue earned during the previous year, while the gross profits, prior to depreciation, managing agents' commission, taxes and reserves, were higher than in the previous year by about Rs. 25 lakhs. This explains the Directors' decision to allocate a higher amount, namely, Rs. 11.75 lakhs (as against Rs. 9.7 lakhs) to depreciation, Rs. 1 lakh to development reserve, Rs. 3 lakhs to deferred taxation reserve, Rs. 50,000 to reserve for bad and doubtful debts, and Rs. 1½ lakhs to sales promotion reserve—this last, it may be noted, was created two years ago for launching special advertisement campaigns for new products and carrying on sustained propaganda for old ones. There was, however, no allocation for this item last year, due to low profits. It is noteworthy that the management has thought it fit to devote the whole of the savings in income-tax on account of the development rebate of 25 per cent on new plant and machinery obtained by the Company for the purpose of development and credit it to the new reserve. Also a prudent move on the part of the authorities is the provision they have made for deferred taxation reserve to meet increased tax liabilities in future, especially after the special allowance of initial depreciation is worked off. Notwithstanding all these allocations, the Directors have been able to recommend a

higher dividend, namely, Rs. 3 per ordinary share, as against only Rs. 2 last year and Rs. 2-4 in the year before that. Explaining the good results, the Directors observe that "the greater turnover of laundry soap, toilet soap and glycerine, the Company's careful purchasing policy in respect of raw materials, and the stable prices of almost all vegetable oils excepting groundnut oil—the price of which tended to rise considerably towards the end of the year—contributed to the higher profits."

Once again, the TOMCO Report reflects the sizeable contribution to the Central Exchequer, by way of excise duties on soap and vanaspati, made by these industries. This was because the entire Vanaspati industry broke all previous records by manufacturing 2.61 lakh tons in the year under review. Of course, the Tata Oil Mills also shared in this general expansion and was able to raise its level of production and sales by nearly 32 per cent. During the year under review, the Tata Oil Mills paid Rs. 31.93 lakhs by way of excise duty, as against Rs. 24.46 lakhs in the preceding year. The Company was also adversely affected to some extent, by the levy on all vegetable non-essential oils, and this compelled the Management to raise the price of both laundry and toilet soaps. In this connection, point out the Directors, "it is regrettable that consumer products like soap and vanaspati should now be subject to duty at both the raw material and the finished product stages."

The Report also makes reference to a proposal to

Year	Subscribed capital	Premium on shares	Depreciation & other Reserves	Borrowings & other Deposits	other Liabilities	Profits carried over	Total	Net Block	Provision for Depreciation	Stores, stocks etc.	Book debts advances etc.	Cash and other balances
1953-54	99.96	14.94	113.95	115.94	58.79	7.75	411.33	79.66	97.50	174.62	43.97	15.56
1954-55	99.96	14.94	124.15	107.12	61.93	7.08	415.18	76.97	107.57	172.57	43.49	14.95
1955-56	99.96	14.94	141.06	115.22	93.43	9.87	475.08	75.26	117.21	210.86	56.25	15.50

THE ANANDAM RUBBER CO., LTD.

The net profit of the Company for the year 1955, after providing Rs. 18,840 for Managing Agents' Commission, Rs. 14,343 for Depreciation and Rs. 67,000 for reserve for Taxes, stands at Rs. 1,00,816. To this has to be added the balance of Rs. 34,979 brought forward which makes available a total sum of Rs. 1,35,795. Deducting Rs. 17,500 being the amount paid as preference dividend, the balance available for distribution amounts to Rs. 1,18,295. Out of this sum, the Directors have Ordinary shares which absorbs Rs. 62,500. Another Rs. 20,000 are transferred to reserve for capital expenditure which leaves a balance of Rs. 35,795 proposed to be carried forward.

The rubber secured during the year under review was 120,724 lb. at 61 cents per lb. The average price realised comes to 143.1 cents per lb. During the year, the controlled price of rubber was increased first by Rs. 12 and later by another Rs. 5-12, the latter to compensate for the increase in excise duty introduced from August, 1955. For the current year, the estimate of crop is 135,000 lb. at 62.37 cents an lb.

In the case of tea, the crop harvested during the year was 234,003 lb. at an estate cost of 112.17 cents per lb. The estimate had put it at a lower figure of 210,000 lb. at a higher cost of 129.14 cents per lb. The selling price works out at an average of 172.92 cents

capitalise a sum of about Rs. 14.02 lakhs for issuing 56,066 additional fully paid-up ordinary shares of Rs. 25 each out of the Company's Share Premium Account to holders of existing ordinary shares in the ratio of one fully paid up ordinary share for every ordinary share held by them.

In addition to being importer-distributors for soda ash on behalf of the Government of India, the Company has also been appointed importer-distributors for caustic soda since February last.

There has again been a loss of Rs. 77,200 by the subsidiary Company, Lakme (Private) Limited and this despite an increase of 50 per cent in the gross sales over those of the previous year. But the Directors attribute the loss to the heavy technical fees paid to the French firms, the carry-over of deferred revenue expenditure, and the expenses incurred in bringing out a French cosmetician, who, unfortunately, was not competent enough to render much technical assistance which made it necessary for the Company to seek the assistance of an American firm of international repute for obtaining technical know-how on the manufacture of cosmetics. It should be added, however, that the products put on the market by this Company have been well received by the consumers and the trade alike.

The following table gives a summary of the balance-sheet of the Company for the year ended March 31, 1956 as also for the two years immediately preceding:

(or Rs. 1-11-8) per lb. The estimate for 1956 is 230,000 lb. at 126.29 cents an lb.

THE UNITED PROVINCES SUGAR CO., LTD.

The sugar production in India during the last year was nearly 16 lakh tons and that imported by the Government was about 6 lakh tons. The estimated annual consumption is 16 lakh tons; consequently there was a steady fall in prices. From March, 1955, the excise duty was increased by Rs. 1-6 a maund. Despite all this, the Company has been able to maintain its profit level with the previous year as a result of larger crush and a slightly improved recovery rate. A total of 24,84,000 maunds of cane was crushed during November 1954 to April 1955, with a recovery of 10.16 per cent.

The profit for the year ended September, 1955, on Sugar account, is Rs. 4,24,423. Adding the profit from other accounts, it increases to Rs. 4,82,294. From this amount have been deducted: Rs. 2,56,033 being net provision for taxation and Rs. 4,758 being the cost of acquiring Bhumidari rights. Adding to the balance the sum of Rs. 39,061 brought forward, the amount available for distribution is Rs. 2,60,564. The Directors have recommended payment of a 15 per cent dividend for the year under review absorbing Rs. 2.40 lakhs and the balance of Rs. 20,564 to be carried forward. The depreciation charge at the usual rates absorbed Rs. 75,207.

COMMODITY NEWS AND NOTES

IMPORT OF CEMENT

During 1956 India has so far imported 13,300 tons of cement. Of this quantity, 10,300 tons of cement have come from Rumania and the rest from East and West Pakistan. Negotiations were going on for the import of cement from other countries. About 190,000 tons of cement were expected to be imported from the Soviet Union, Rumania, Yugoslavia, Poland and Japan. The prices varied from 165 to 179 shillings per ton.

INCREASED OUTPUT OF IRON ORE IN INDIA

The estimated output of iron ore in India increased from a total 318,962 tons in April 1956, to 339,992 tons in May, 1956, according to official statistics released by the Chief Inspector of Mines in India. Returns received from 104 mines for the month of May, 1956, show despatches totalling 220,019 tons to the iron and steel plants and 77,880 tons to the export market. The reported stocks as at the end of the month amounted to 1,366,697 tons.

PRODUCTION OF MINERALS IN INDIA DURING 1955-56

India produced 42,69,020 tons of iron-ore during 1955-56. The production of other minerals during the period, according to the Statement laid on the table of the House by the Minister for Natural Resources was Steel—12,80,300 tons; Gold—2,11,461 ozs, Manganese Ore—1.64 million tons; Copper—7,281 tons and Silver 1,52,833 ozs.

TEA PRODUCTION IN PAKISTAN

It is reported tea production in Pakistan is rising every year. By the end of 1954, production is expected to be 80,000,000 lbs. So far as raising of tea production is concerned, a sub-committee had been formed to work out the details for raising production so as to step up exports. A tea research station was being set up near Sylhet in addition to 8,000 tons of fertilizers every year. Some land had already been selected for the extension of the plantings.

WORLD WOOL OUTPUT AND CONSUMPTION

The Commonwealth wool marketing season, which normally closes with June but was thus extended for a few days in Australia, ended in the middle of July, after having witnessed one of the biggest clearances of wool in the history of the industry. The outstanding feature of the season was the enormous transfer of wool from producing to consuming countries. During the 1955-56, selling season, Australia offered a clip of all-time record size, officially estimated 1,414 million lbs. (greasy), which is nine per cent above the previous season figure, and 42 per cent higher than the pre-war area average. The end of season carry-over is officially expected to be not more than 60,060 bales, which is the approximate average of recent years. In New Zealand, where the season's wool output is estimated by the Commonwealth Economic Committee at 443 million lbs. (greasy), which is 7 million lbs. more than in the previous season and 55 per cent above pre-war, similar excellent clearances are reported. Sales are reported to have set up a record at 1,016,555 bales, or 13,692 bales more than in the previous season though the general level of wool values has been such that the return to the producer will be slightly less than in 1954-55. South Africa, with a clip estimated at 310 million lbs., or 5 million lbs. more than in the previous season, has more than regained her pre-war level of output, and disposals of 1,061,340 bales are reported by the South African Wool Board to be the

largest for more than 20 years. Over the world as a whole, wool production for 1955-56, season is estimated at 4,815 million lbs. (greasy), or more than 4 per cent than the previous season.

FINAL ESTIMATES OF RABI PULSES

The All-India final estimate of rabi pulses other than gram and tur for 1955-56 places the current years area and production at 10,579,000 acres and 1,858,000 tons as against the partially revised estimate of 10,590,000 acres and 1,959,000 tons for 1954-55 according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This estimate, thus shows a decrease of 11,000 acres in area and 101,000 tons or 5.2 per cent in production as compared to 1954-55. The decrease in area and production during the current year has been shared mainly by Bihar and West Bengal and has been attributed to the unfavourable weather conditions both at the sowing and growing time.

INDIA'S SUGAR OUTPUT

India's total sugar production in the current season ending June 1956 amounted to 1,848,889 tons against 1,583,000 tons during the same period of last season, according to the Indian Sugar Mills' Association. Production in June this year amounted to 59,333 tons, while offtake from factories was about 149,000 tons against 1,23,000 tons during the corresponding period of last year. The total offtake of indigenous sugar during the current season ending June was about 1,094,000 tons against 710,000 tons in the previous season. The closing stock of indigenous sugar on June 30, was 1,156,000 tons against 911,000 tons during the corresponding period of last season.

BLACK PEPPER PRICES

The tendency in black pepper has, of late, been quiet after the recent recovery thanks to dwindling foreign demand. Domestic offtake too has been subdued. Growers are unwilling to part with the Commodity at lower levels. The weakness is also attributed to the satisfactory monsoon in the growing areas. It is too early to hazard a forecast about size of the new crop. Meanwhile, trade opinion appears to be divided on the question. While a section believes that production in the next season will be larger, the other does not share this view. Current price levels are far below those prevailing a few weeks ago. According to latest available reports, the quantity of pepper shipped during June was much less than in the previous month. Of the 280 tons exported in June, 180 tons were shipped to the USA. Shippers, however, visualize better prospects in the coming month, as most of the Sarawak crop has already been marketed. In fact, this is reflected in the hardening trend in Sarawak pepper which has moved up to 24½ cents per lb.

U.K.'s TEA EXPORTS

The statistical summary issued this month by the International Tea Committee in London reveals that in May the United Kingdom imported two-and-a-half times the quantity of tea it did during the same month last year. The quantities, given in thousand lbs. for May 1956 and May 1955, were: From India 26,607 and 7,981; Ceylon, 11,456 and 5,703; Africa, 7,461 and 4,607; Pakistan, 1,225 and 22; Indonesia, 563 and 495; The Netherlands, 502 and 511; Japan, 477 and 115; China, 107 and 141; Hong Kong, 40 and 26; Formosa, 0 and 4; total imports, 49,221 and 20,706.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56 ..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
November 1955 ..	326.5	418.9*	338.1	373.3	543.3*	363.0*	91.0	101.0	87.7	129.9
December " c ..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	136.6
January 1956 ..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February " c ..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March " c ..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	86.8	122.0
April " c ..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May " c ..	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.6
June " c ..	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
Week Ending ..										
9-6-1956 ..	356.3	476.0	386.0	378.4	500.0	393.0	91.2	100.5	85.1	125.7
16-6-1956 ..	372.7*	480.6*	396.8	377.9	513.1	401.1*	91.3	100.5	85.2	125.2
23-6-1956 ..	374.6*	480.6	395.6*	377.9	522.5*	401.7*	91.3	100.5	85.3	125.5
30-6-1956 ..	374.0	481.8*	395.5	377.0	545.4	402.2*	91.2	100.5	85.3	124.6
7-7-1956 ..	374.0*	490.9	395.1	385.1	560.8	407.7*	91.2	100.5	85.5	124.7
14-7-1956 ..	378.7	487.8	393.4	385.4	557.7	407.2	91.2	100.5	85.5	124.7

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

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

Period	Bombay			Delhi		Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†		
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138	138
1951	314	330	261	142	370	451	391	168	334	167	160	144	144
1952	321	337	250	143	351	441	380	150	330	151	154	141	141
1953	346	363	275	140	349	453	387	151	351	147	156	145	145
1954	342	359	244	138	327	408	373	139	341	148	140	138	138
1955	322	338	218	130	323	371	364	133	321	134	135	133	133
1955 August	325	341	229	134	329	375	367	137	318	136	138	134	134
September	317	333	224	133	327	373	367	133	322	138	137	132	132
October	315	331	225	134	334	385	369	134	323	139	139	134	134
November	314	330	229	136	339	392	369	138	327	144	141	135	135
December	316	332	230	140	329	393	375	143	334	148	141	135	135
1956 January	318	334	226	139	319	404	378	146	334	147	138	133	133
February	321	337	224	137	315	394	—	142	333	146	132	133	133
March	334	350	230	139	325	398	—	145	340	148	142	138	138
April	342	358	239	140	338	409	—	—	354	—	—	142	142
May	341	357	236	141	342	408	—	—	356	—	—	143	143
June	342	359	240	141	—	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	21-7-1956			14-7-1956			7-7-1956			28-7-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	101-14	100-14	101-4	101-8	99-10	100-6	101-9	98-15	100-8	102-12	101-11	102-4
Silver (per 100 fine tolas)	174-5	171-9	172-14	174-0	172-4	173-3	172-12	170-5	171-6	172-10	171-0	171-1g

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62*	1,253,86
	(5,58)	(—)	(5,58)					(80)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	584,40	624,42	54.60	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,92	56.47	102,25	428,61	1,219,17
1955-56*	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,88	553,20	1,356,47
Average of Fridays										
December 1955	1,350,04	10,13	1,360,17	40,02	662,98	703,00	50.95	108,56	548,61	1,360,17
January 1956	1,384,06	16,67	1,400,73	40,02	679,49	719,52	51.37	106,52	574,69	1,400,73
February	1,402,42	9,14	1,411,56	40,02	663,40	703,43	49.83	104,90	603,24	1,411,56
March	1,446,41	11,13	1,457,54	40,02	676,87	716,89	49.20	103,18	637,47	1,457,54
April	1,509,33	15,96	1,525,29	40,02	682,69	722,71	47.38	106,38	686,21	1,525,29
May	1,516,70	13,36	1,530,06	40,02	681,45	721,47	47.15	104,89	703,91	1,530,06
June	1,496,50	22,32	1,518,82	40,02	662,53	702,55	46.26	105,59	710,68	1,518,80
Week Ending										
22-6-1956	1,486,87	29,68	1,516,55	40,02	656,54	696,56	45.93	106,33	713,66	1,516,55
29-6-1956	1,474,07	28,27	1,502,34	40,02	646,55	686,57	45.68	107,60	708,68	1,502,34
6-7-1956	1,482,50	20,08	1,502,58	40,02	636,61	676,63	45.03	107,33	718,62	1,502,58
13-7-1956	1,474,60	20,37	1,503,06	40,02	626,68	666,70	44.33	108,71	728,56	1,503,06
20-7-1956	1,460,01	25,20	1,485,21	40,02	616,68	656,70	44.22	109,96	718,56	1,485,21

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*		Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total										
1938-39*	14,90		16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90	
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,95	47,24	2,62	406,95	1,57	21	81,63	4,85	
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	76,65	4,14	
	(14,33)	(3,04)									(1)				
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	980,54	4,34	
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06	
1951-52*	181,39	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91	
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,63	
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,61	
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82	
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61	
Average of Fridays															
December 1955	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,03	3,97	31,67	50,49	12,76	
January 1956	53,56	12,51	59,90	17,49	142,53	41,28	193,81	16,82	9,33	56,74	2,82	43,77	51,13	13,21	
February	61,12	13,65	56,38	15,85	147,00	49,59	206,59	9,27	3,50	72,81	3,41	53,41	49,71	14,40	
March	57,51	37,22	49,25	16,93	159,51	48,99	220,30	11,26	9,63	65,31	1,60	73,88	39,44	17,33	
April	56,21	30,15	52,14	17,16	155,66	48,82	214,48	14,64	13,36	54,43	1,34	65,52	45,55	18,12	
May	61,44	10,27	50,36	13,04	135,11	53,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61	
June	56,43	8,33	51,92	12,97	129,65	57,61	197,46	22,42	8,94	31,55	3,94	73,90	37,75	18,89	
Week Ending															
15-6-1956	55,60	5,28	51,18	13,17	125,43	66,99	192,41	20,87	9,38	28,55	4,99	73,36	36,38	18,88	
22-6-1956	62,58	8,01	51,88	13,02	135,49	66,71	202,20	29,81	8,64	32,27	5,02	71,62	35,39	18,85	
29-6-1956	56,84	13,17	54,49	13,08	137,58	68,14	205,72	28,37	8,36	34,97	2,37	69,68	43,04	18,94	
6-7-1956	54,23	4,77	50,56	12,64	122,20	57,36	179,56	20,13	7,65	41,87	2,95	61,08	37,31	8,56	
13-7-1956	52,03	6,94	52,65	12,19	123,81	57,76	181,57	29,50	5,86	41,63	3,32	55,49	37,31	8,46	
20-7-1956	83,42	13,69	53,01	11,89	162,04	58,11	220,12	25,34	3,98	47,96	4,64	71,63	59,19	7,40	

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

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	—
1947-48*	708,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	—
1948-49*	674,56	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	—
1949-50*	597,79	272,59	870,38	34,47	65,85	11.53	428,74	15,35	50.79	—
1950-51*	599,13	278,45	877,58	34,68	60,78	10.88	447,03	11,87	52.29	—
1951-52*	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	309,48
1952-53*	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54*	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55*	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	62.08	339,74
1955-56*	608,64	407,93	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,70
Average of Fridays										
January 1956	638,02	411,70	1,049,72	36,96	56,92	8.94	533,75	130,85†	64.21	378,64
February	631,25	415,19	1,046,45	35,18	54,87	8.59	551,12	138,15†	66.56	364,86
March	622,44	415,29	1,037,72	34,83	48,43	8.10	589,55	144,16†	71.41	356,65
April	649,02	423,19	1,073,31	37,74	50,99	8.34	604,85	150,65†	71.04	393,43
May	638,35	432,68	1,071,01	37,76	48,68	8.15	614,22	153,14†	71.82	354,97
June	636,61	446,93	1,083,54	37,96	49,77	8.18	612,04	151,64†	71.20	348,65
Week Ending										
22-6-1956	634,65	449,63	1,072,66	37,38	48,26	7.98	609,26	156,52†	70.88	348,06
29-6-1956	638,12	452,88	1,091,65	40,07	51,83	8.50	611,23	156,24†	70.03	347,63
6-7-1956	639,35	454,97	1,081,14	37,47	19,98	8.09	611,01	145,44†	69.97	346,90
13-7-1956	644,30	450,43	1,084,38	37,26	50,01	8.05	604,67	143,29†	68.98	345,96
20-7-1956	633,51	454,87	1,075,83	38,41	49,38	8.16	601,02	143,68†	69.22	351,23

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1932-53	1,764,71	1,199,25	565,46	548,95	16,51	-39,08
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+128,65
1955-56	2,180,96*	1,501,88*	679,09*	667,08*	12,01	+260,33*
May 1955	1,989,50	1,348,41	641,09	616,96	9,96	+7,19
June	1,988,42	1,343,74	644,67	623,43	10,03	+1,97
July	1,974,91	1,324,80	650,11	619,53	10,39	-32,48
August	1,995,61	1,314,74	660,88	632,86	11,60	+6,47
September	1,965,49	1,309,69	654,71	632,36	11,70	-5,43
October	2,008,47	1,331,40	677,08	635,72	11,12	+2

CENSUS OF MANUFACTURING INDUSTRIES 1954.

CEMENT

Item.	Madras	Bihar	* Others	Total
1. Number of factories employing 20 or more workers and using power—				
(a) In existence	3	5	13	21
(b) From which returns were received	3	5	13	21
(c) Percentage of (b) to (a)	100	100	100	100
2. Average number of days worked	365	360	354	357
3. Productive Capital employed—				
(a) Fixed Capital—				
(i) Land ('000 Rs.)	4.98	8.14	14.86	27.98
(ii) Buildings ('000 Rs.)	62.17	90.33	2,89.24	4,41.73
(iii) Plant and machinery ('000 Rs.)	1,07.20	1,84.65	7,32.15	10,24.00
(iv) Other fixed assets ('000 Rs.)	36.49	23.82	81.82	1,39.23
TOTAL ('000 Rs.)	2,10.94	3,03.93	11,18.07	16,32.93
(b) Working Capital—				
(i) Stocks of raw materials ('000 Rs.)	1,11.31	1,30.84	3,97.80	6,39.85
(ii) Stocks of finished products and by-products ('000 Rs.)	8.58	5.63	16.22	30.44
(iii) Semi-finished products in stock or in process ('000 Rs.)	15.47	9.86	28.69	54.02
(iv) Cash in hand and at the Banks ('000 Rs.)	14.28	19.21	1,21.96	1,55.45
TOTAL ('000 Rs.)	1,49.55	1,65.55	5,64.67	8,79.77
TOTAL PRODUCTIVE CAPITAL ('000 Rs.)	3,60.48	4,69.48	16,82.74	25,12.70
4. Number of persons employed—				
(a) Workers	2,978	3,283	9,022	15,283
(b) Persons other than workers	559	584	1,819	2,962
TOTAL	3,537	3,867	10,841	18,245
5. Salaries and wages paid—				
(a) Workers	38.74	41.09	1,10.17	1,90.01
(b) Persons other than workers	12.75	18.07	43.89	74.70
(c) Money value of other benefits or privileges ('000 Rs.)	3.42	7.36	12.70	23.67
TOTAL ('000 Rs.)	54.91	66.52	1,66.85	2,88.28
6. Fuels, Electricity, Lubricants, etc., consumed—				
(a) Quantity—				
(i) Coal ('000 Rs.)	170	324	817	1,311
(ii) Electricity ('000 Rs.)	60,464	33,175	54,494	157,134
(iii) Lubricating Oils ('000 Gallon)	20	52	85	157
(b) Value—				
(i) Coal ('000 Rs.)	68.26	74.09	2,62.52	4,04.90
(ii) Electricity ('000 Rs.)	15.10	20.73	37.88	73.71
(iii) Lubricating oils ('000 Rs.)	100	1.87	3.82	6.69
(iv) Others ('000 Rs.)	1.03	1.34	9.63	12.00
TOTAL ('000 Rs.)	85.41	98.03	3,13.86	4,97.30
7. Materials Consumed—				
(a) Quantity—				
(i) Limestone, Kankar, Calcite, etc. ('000 Tons)	978	1,365	3,155	5,498
(ii) Gypsum ('000 Ton)	25	31	102	158
(iii) Gunny bags ('000 No.)	12,398	17,597	46,037	76,033
(b) Value—				
(i) Limestone, Kankar, Calcite, etc. ('000 Rs.)	27.78	1,08.24	1,32.77	2,68.80
(ii) Gypsum ('000 Rs.)	8.41	13.20	29.48	51.09
(iii) Gunny bags ('000 Rs.)	66.55	85.65	2,35.21	3,67.41
(iv) Others ('000 Rs.)	31.27	26.47	1,03.13	1,60.88
TOTAL ('000 Rs.)	1,34.02	2,30.57	5,00.59	8,65.18
8. Amount paid to other concerns for work done for factory ('000 Rs.)	3	1.09	29	1.42
9. Production—				
(a) Quantity—				
Portland Cement—				
(i) Normal ('000 Rs.)	664	874	2,382	3,920
(ii) Rapid hardening ('000 Rs.)	..	7	1	8
TOTAL ('000 Rs.)	664	881	2,383	3,928
(b) Value—				
(i) Portland Cement—				
(i) Normal ('000 Rs.)	4,86.61	6,41.69	17,05.78	28,34.08
(ii) Rapid hardening ('000 Rs.)	..	530	90	6.19
TOTAL ('000 Rs.)	4,86.61	6,46.90	17,06.68	28,40.27
(2) Other products ('000 Rs.)	10.93	2.54	6.65	20.32
TOTAL ('000 Rs.)	4,97.54	6,49.54	17,13.52	28,60.59
10. Amount received from others for work done for them Rs.	..	..	..	..
11. Value added by manufacture—				
(i) Ex-factory value of products and work done for ('000 Rs.) customers	4,46.89	6,23.41	15,52.60	26,22.90
(ii) Value at factory of materials, fuels, etc., consumed and work done for factory by other concerns (including the value of semi-finished products or finished parts manufactured earlier but consumed during the year). ('000 Rs.)	2,26.55	3,39.91	8,80.86	14,47.32
(iii) Depreciation ('000 Rs.)	16.62	24.23	92.54	1,32.84
(iv) Value added by manufacture [i—(ii+iii)] ('000 Rs.)	2,04.32	2,59.27	5,79.15	10,42.76

* Bombay, Andhra, Madhya Pradesh, Orissa, Rajasthan, Patiala and East Punjab States Union, Saurashtra and Travancore-Cochin.

INLAND TRANSPORT

Wagons Loaded (1)

Class I Railways (2)

(No. in thousands)

	Coal and Coke (3)	Grains and Pulses	Oil-seeds	Cotton	Others Miscellaneous, Smalls, etc.	Total
1948 Monthly average	94	42	9	8	308	461
1949 "	103	43	10	8	249	513
1950 "	106	42	9	7	358	522
1951 "	113	52	8	8	389	570
1952 "	116	51	10	9	398	584
1953 "	86	49	9	8	418	570
1954 "	96	48	10	8	438	600
1955 "	97	52	12	9	483	650
1955 April	93	49	14	11	466	633
May	95	51	12	11	437	606
June	89	51	10	10	416	576
July	97	55	12	8	437	609
August	101	57	10	9	437	614
September	100	51	9	8	443	611
October	106	49	9	8	459	631
November	100	51	12	7	478	648
December	99	51	15	10	543	718
1956 January	102	54	13	9	551	739
February	90	50	12	11	547	710
March	97	58	14	11	576	756

Source: Ministry of Railways.

- (1) In terms of 4 wheelers. Broad and Metre-gauges only. Annual figures relate to twelve months commencing April of year stated.
 (2) Railways with gross earnings of not less than Rs. 50 lakhs a year.
 (3) Excluding free hauled railway coal.

INLAND TRANSPORT

Freight, Traffic and Earnings of Class I Railways¹

	Freight, Traffic and Earnings			Passenger Traffic and Earnings		
	No. of tons carried ('000)	Net ton miles (Millions)	Earnings from goods carried (Rs. Lakhs)	No. of passengers carried ('000)	Passenger earnings from passengers carried (Rs. Lakhs)	Gross earnings (Rs. Lakhs)
1934 ¹ Monthly average	9,443	1,815	5.51	42,722	1,482	2,444
1948 "	8,698	1,859	9.02	94,552	3,060	7,31
1949 "	8,824	2,085	10.95	101,247	3,168	7,50
1950 "	10,423	2,225	11.42	108,297	3,353	7,96
1951 "	10,449	2,336	12.42	99,797	3,187	8.90
1952 "	10,423	2,372	11.79	97,979	2,859	8.11
1953 "	10,723	2,447	12.11	98,489	2,935	8.18
1954 "	10,751	2,541	13.02	102,675	3,040	8.46
1955 "	10,994	2,541	13.02	102,675	3,040	8.46
1955 January (6)	12,158	2,767	14.01	99,613	2,866	8.33
February	11,956	2,700	14.35	102,872	3,138	8.94
March (5)	15,368	3,330	16.94	111,550	3,417	9.53
April	10,693	2,464	13.70	106,802	3,235	9.35
May	10,626	2,644	13.86	120,328	3,667	10.77
June	10,351	2,553	14.09	117,994	3,532	10.16
July	11,022	2,752	13.00	106,222	3,164	8.91

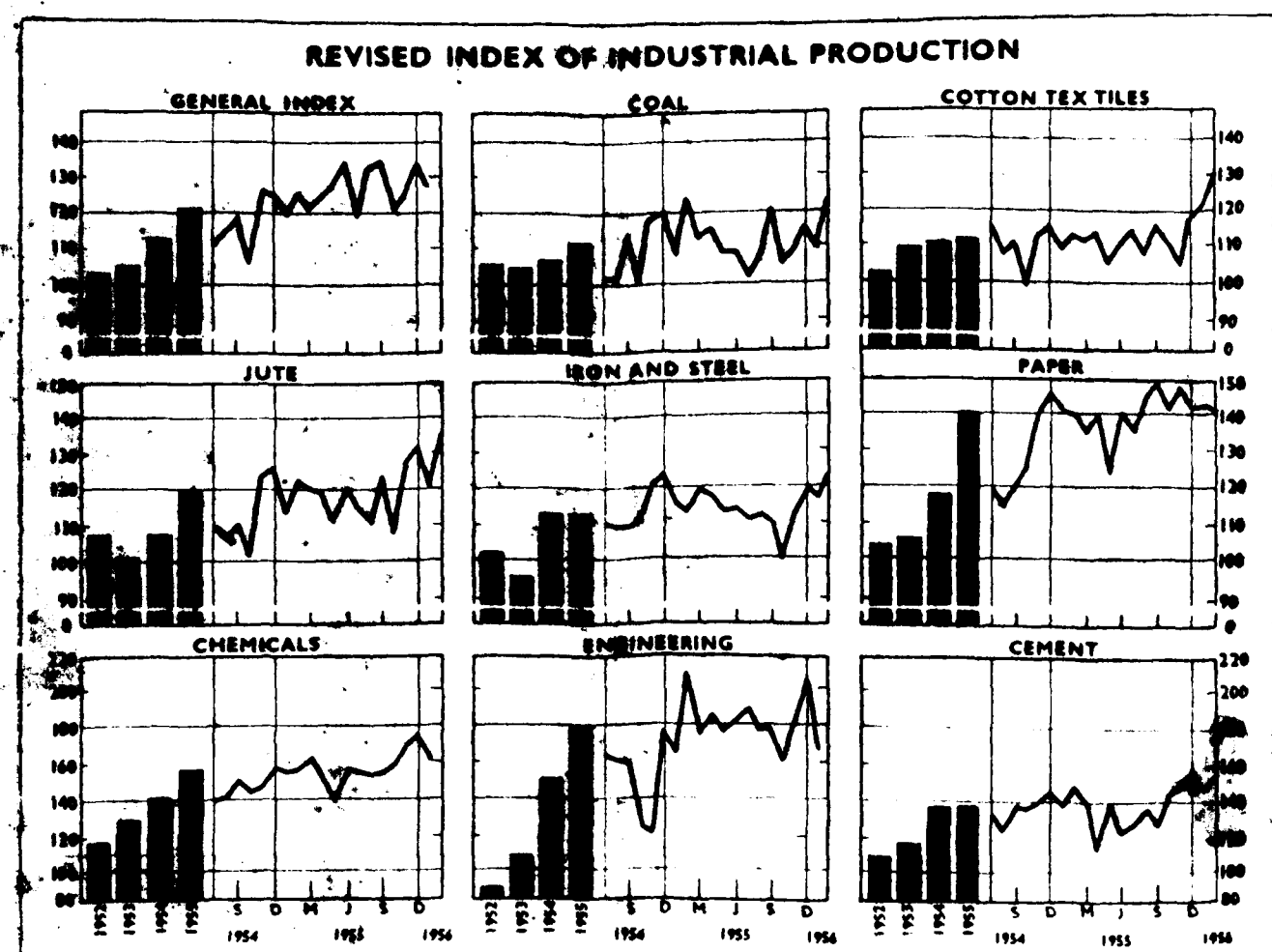
- (1) Board and Metre gauge only. Annual figures relate to twelve months commencing April of the year stated.
 (2) The basis of figures from April 1952 is the place from where the traffic originates.
 (3) Including Narrow Gauge.
 (4) Exclude Bikaner State Railways.
 (5) March figures generally include heavy annual adjustments.
 (6) Figures from November 1954 onwards include provisional estimates in the case of the North Eastern Railways and final figures for other Railways.

Source: Ministry of Railways.

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951 = 100)

Year and month	General Index	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen. Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
1952 ..	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	131.0	98.6	104.8
1953 ..	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.5	115.8	96.7	113.1
1954 ..	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.1	127.2
1955 ..	121.9	111.4	111.3	117.3	108.4	118.9	159.0	140.4	113.3	183.3	140.2	143.0	105.2	131.5
September 1954 ..	118.9	112.4	110.4	115.1	108.0	110.8	149.6	137.6	109.6	159.9	119.8	188.1	109.2	133.8
October ..	105.9	100.2	98.6	104.6	95.6	101.9	144.0	137.1	110.9	125.8	124.7	135.9	100.5	125.7
November ..	125.8	117.8	112.2	118.4	109.1	124.0	147.7	140.2	120.4	170.9	138.8	157.6	98.1	135.9
December ..	125.1	120.2	115.6	121.1	112.8	126.8	156.2	146.6	123.1	176.2	115.9	153.2	104.5	136.4
January 1955 ..	119.4	108.1	109.4	114.2	107.0	113.2	155.9	138.8	116.3	165.8	141.0	125.0	134.6	133.1
February ..	126.1	123.4	112.6	119.0	109.4	122.7	156.2	148.3	113.6	211.6	139.3	111.5	142.8	139.4
March ..	121.5	113.3	111.8	114.6	110.4	120.4	161.1	140.0	119.3	175.8	134.8	138.6	98.0	139.3
April ..	124.8	114.6	112.5	116.0	110.7	119.6	152.3	115.6	117.0	187.6	138.9	230.0	88.7	142.6
May ..	126.8	108.9	105.6	110.9	103.0	110.6	139.7	138.2	112.8	177.8	124.4	380.0	99.2	141.1
June ..	122.1	109.0	110.5	118.0	107.8	120.3	156.8	125.4	113.6	184.3	140.4	385.6	108.5	148.9
July ..	119.6	101.4	115.0	120.1	112.5	115.4	155.9	128.6	111.3	190.6	134.7	64.7	122.7	145.7
August ..	131.6	107.0	107.5	114.5	104.1	111.6	154.7	137.6	112.0	178.9	146.2	112.4	101.6	141.9
September ..	134.2	119.7	115.4	121.5	112.3	123.7	154.9	129.3	110.1	178.5	149.7	319.3	106.4	148.0
October ..	125.6	105.9	110.8	118.8	106.8	107.8	159.5	144.2	100.3	160.7	112.1	210.7	103.4	144.3
November ..	125.6	109.8	105.0	114.9	100.1	128.2	120.8	151.2	113.3	182.8	147.7	213.2	170.1	150.5
December ..	132.2	116.2	119.4	126.0	116.0	132.5	174.4	155.9	119.5	205.3	142.3	160.0	108.4	157.6
January 1956 ..	122.6	109.6	107.4	112.6	105.1	120.8	163.7	147.7	116.4	178.6	142.5	133.2	115.2	151.8
February ..	136.6	129.1	126.1	122.9	127.8	134.8	171.9	155.2	124.6	203.2	141.2	127.2	122.8	160.7
March ..	129.5	118.3	118.3	114.9	120.1	135.2	163.0	158.5	121.1	191.0	144.5	151.3	97.0	160.4
April ..	136.8	114.3	126.3	122.1	126.8	131.9	..	..	116.2	..	142.9	294.3	83.7	..



The figures for the above graph have been taken from the table above. The base year is 1951 = 100.

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ONE RUPEE

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The End of a Chapter

AT the time of writing the States Reorganisation Bill is undergoing its third reading in the Lok Sabha. On Thursday, the second reading of this momentous Bill, which is to end one significant chapter in Indian integration, was passed after an amendment fixing the boundaries of the new bi-

lingual Bombay State was carried by 241 to 40 votes. The third reading seems to be assured, and now it looks as though, ten months after the publication of the hotly-debated States Reorganisation Commission's Report, calm will again descend on the country. Not, indeed, that the storm

has not left its marks upon the countryside. On August 9, the police were compelled to use force for the second time on demonstrators at Ahmedabad and the death roll here has already been 12. Further trouble cannot be excluded.

It is significant that the centre of trouble has moved from Maharashtra to Gujarat. There has been some complaint that Mr. Morarji Desai, the natural leader of Gujarat, was too ready to agree to a bilingual Bombay. To this unfounded charge, Mr. Morarji Desai has himself replied with dignity. He has assured the people of Gujarat that their interests were "absolutely safe" in the bilingual State and he has pledged himself to abide by this decision at all costs. More forcefully he said: "Today some people think I have betrayed Gujarat. I do not think so. They may throw stones at me; they may kill me but I will not be disloyal". It is of such stuff that great leadership is made.

The most controversial figure in the whole of the heated debate on the future of Bombay has been Mr. Morarji Desai, Bombay's Chief Minister. Differences of opinion are certainly possible on the line he took at various stages of the controversy. But now that it is concluded, there is no need to withhold tribute from a man who has faced unpopularity and the heaviest responsibilities with a grand sense of duty and patriotism. It is sincerely to be hoped that Mr. Morarji Desai will consent to be the Chief Minister of the new Bombay State. His being there would be an assurance to Gujarat that its interests will be safe. It would be an assurance to the country that integrity and an unflinching sense of duty would be available in case of difficulties which are likely to arise until feelings on both sides die down. One might add that the new State of Bombay is likely to exceed even Uttar Pradesh in importance, and may well be the natural training ground for future Prime Ministers of the Indian Union. It is no secret that Mr. Morarji Desai is favoured by many intelligent and astute political observers as the successor to the mantle of Jawaharlal Nehru.

However this may be, one should regard with intense satisfaction the closing of this particular chapter in India's political and economic history. There are many arm-chair critics who have been disposed to assert that the whole problem of States Reorganisation was prematurely raised and prematurely decided. It has certainly been a disturbing factor in the political and economic life of the country. But now that the storm is nearly over, we can, perhaps, better appreciate the great advantages which will flow from the second integration of the Indian States. These advantages are not likely to be less, over the long period, than that of the first integration, the fruit of the grand vision and great administrative skill of Sardar Vallabhbhai Patel.

It is not generally realised that the reduction of the number of States and the drawing together of units in linguistic groups is administratively a great convenience. So far as the Central Government is concerned, there are now only about half the number of administrations to be consulted.

The National Development Council and various Central Ministries have thus the opportunity of forming businesslike committees instead of vast assemblies which now prefer but in fact fail to make decisions on policy. It is obvious that the great tempo of the second Five-Year Plan everywhere demands workmanlike bodies to hasten the pace of decisions. The State Reorganisation Bill has certainly been a great blow struck in favour of economy in correspondence and in consultation before large issues of policy are adopted. Seeing that the administrative machine is already showing great strain, this economy is definitely worth a large price in every respect. The price has, in fact, been heavy, but *The Eastern Economist*, for one, judges it well paid.

While there has been this economy in respect of Central administration, one should add a qualification in regard to two momentous States of the Indian Union, which, jointly, can now affect the power of the entire Central Parliament. It has certainly been an unfortunate thing that the map of India as redrawn should have units as large as Uttar Pradesh and the new bilingual Bombay State. These units, while making for economy in Central administration—that is, as between the Centre and the States—are too vast for orderly internal administration by a single authority. This points forcefully to the vast problem of delegation, which has nowhere been adequately solved. How can Lucknow maintain control and provide for adequate development in all portions of U.P. covering an area of over 200,000 sq. miles? How can Bombay, with its even greater industrial and commercial problems deal adequately with a vast hinterland of about 180,000 sq. miles and nearly 50 million people included in the new bilingual Bombay State? These are problems which still cry out for solution. Can it be that the answer is to be found in delegating far more power and responsibility to the Commissioners of Divisions? This might look retrograde for bureaucracy has lost none of its unpopularity after nine years of independence. We need, however, to be unorthodox in this matter, for the problem with which we are faced admits of no delay and can only be aggravated by rarefied political theories such as that the representatives of the people only should make large decisions.

India should rejoice that there has now been shown in this spacious and yet conciliatory way a fine sense of national discernment. It has been a long time finding the needle of unity in the haystack of linguistic controversies. The search has been long and exhausting; and many have lost heart. But the core of the nation, which is Parliament, has shown that it can, even at a late hour, give shape and substance to the deepest aspirations of the Indian people. It is through the Lok Sabha that, at long last, that we have found that the needle we were seeking is the unity of India. We should be grateful to several members of Parliament—notably Mr. Tulsidas Kilachand, Mr. C. D. Deshmukh, Mr. Asoka Mehta and Mr. Purushotamdas Tandon—that we have stumbled on this discovery. Now that we know what we really want we should preserve it as a pearl of great price. To Mother India we must dedicate ourselves anew; this is the appropriate hour for dedication. We have tended to forget her because of the follies of some of her children. Now we can feel with her and for her; for is she not the sum of all?

The London Conference

THE Prime Minister's great statement to the Lok Sabha on the Suez Canal crisis not only represents a statesmanlike approach to a grave international problem but reflects the mellowed nationalism of a peace-loving country. If a single statement could give a sound and practical lead to the Asian and Arab world where "nationalism is still the strongest force of the age," Mr. Nehru's is conceivably that, pleading as it does "for a calmer atmosphere and a rational outlook". As the foremost nationalist leader of Asia, Mr. Nehru is naturally conscious of "the upsurge and conflict of mighty forces". At the same time his preference for healthy nationalism (as opposed to that "rabid nationalism, prone to be fanned into flames of hatred against foreigners"), has been his most reliable counsellor in his stand on world affairs. It is not surprising, therefore, that he has brought to bear upon the Suez question that refreshing degree of objectivity which is so agreeably of a piece with his responsible leadership and basic realism and commonsense—qualities incidentally constituting a bridge between India and that balanced, though unhappily small, section of the British public represented by the *Manchester Guardian*.

In spotlighting the gravity of the Middle East crisis—precipitated as much by the unexpected Anglo-American withdrawal of their aid proffer for the Aswan dam project as by President Nasser's unexpected 'stroke of national self-assertion' in nationalising the Suez Canal Company—the Prime Minister of India has not only tried to pour oil upon the troubled waters of the great international waterway. But he has also been as outspoken in his criticism of war-like preparations by Britain, France and Egypt as he has been polite in reminding the Western powers of the sovereign rights of the country in which the Canal is situate and President Nasser of the world's interest in the freedom of navigation through the waterway. Mr. Nehru's implied criticism of the suddenness with which Col. Nasser nationalised the Suez Canal Company is, however, tempered by his remark that "the way it (the decision to withdraw the Aswan aid offer) was done, hurt Egypt's pride and self-respect and disregarded a people's sentiment". While he is thus emphatic on the point that the problem would have to be settled "on the basis of the sovereignty and dignity of Egypt", it is not clear whether he has wholly rejected the implicit view of the three sponsoring powers of the forthcoming London Conference that the assets taken over are "impressed with an international interest" and thus not strictly liable to nationalisation. It is this implicit view that is now explicitly stated by Sir Anthony Eden and Mr. Herbert Morrison—the former maintaining in his latest broadcast that "Col. Nasser has taken over the international (italics ours) company without consultation and without consent" and the latter holding the view that the Egyptian President was "morally wrong" in nationalising "an institution which, while it might be more internationally owned, is at any rate internationally owned and held in trust for the common use of all the people of the world".

In the face of this British official view (supported by the Labour Opposition), is there a fair prospect of an agreement acceptable to Egypt being brought about at the London Conference in which she is not likely to participate? The chances

are not excessively bright. But "a solution which may demonstrably reconcile the real interests of everybody concerned" cannot be entirely ruled out as impossible, for the usual pragmatism and commonsense of the British people may yet assert themselves, transcending their present mood of anger. Such a possible solution may well consist in creating "a new international authority for supervising the canal without ownership. It could collect revenues on behalf of the Egyptian Government. Such an international body would preferably be a part of the United Nations, and Egypt, as the country in whose territory the canal lay, might fairly claim a weighted share in its structure. An international body of this kind would be in the best position for ensuring that the new capital which the canal needs is obtained. The interests of all concerned—of Egypt and the world—are that this capital should be provided so that the canal may be reconstructed in order to carry the huge tankers and the ever-larger ships which expanding world trade makes necessary".

This constructive way-out of the Suez imbroglio, canvassed by the *Manchester Guardian*, recognises Egypt's need for the canal profits in their entirety and also the world's interest in improvements to the canal—improvements for which capital should be mobilised from sources other than the annual net profits of the Suez Canal Company. As Egypt's real interests lie in steady and, possibly, increasing profits from the Suez Canal by way of expanded transit of ships but not by increased toll charges, it is just conceivable that she may agree to an arrangement under which further capital investment in the canal would not be her sole responsibility. As the real interests of all maritime countries lie in free, cheap and efficient navigation through the canal they (or most of them) should have no valid objection to respecting Egyptian sovereignty without any reservations which seriously detract from that sovereignty.

Indian views at the London Conference may have no smooth sailing in persuading the British and French participants to take kindly to a kind of international arrangement canvassed by the *Manchester Guardian* or to some equally practicable variant of it. They are likely to face a number of initial obstacles one of which might be in respect of compensation. As most of the Company's liquid and near-liquid assets, built up from profits in the past and aggregating £35 million, are held outside Egypt and as compensation at the market value of shares would come to only £70 million, it may not be difficult to negotiate the compensation hurdle in view of the circumstance that Egypt is in a position to pay the balance of £35 million from out of her blocked sterling balances amounting to £110 million. Whether the Indian delegates will succeed in their noble effort to bring about a peaceful, all-round agreement acceptable to the Western Powers and Egypt alike remains to be seen. The entire Indian nation is behind the Prime Minister in his hope that his emissaries will assist in the endeavours for such a peaceful settlement. This is not the first time there has been need for 'Peace with Honour'. When the phrase was first used, it was British intervention that claimed the credit and the prize. On this occasion, the decisive role may well be played by India. So let it be: a role in which peace belongs to the world and both contestants find honour in a just agreement.

Joint Consultation in Industry

THE Industrial Disputes (Amendment and Miscellaneous Provisions) Bill passed by the Lok Sabha in the current session has little to offer in the nature of an improved, efficient and expeditious machinery for the settlement of industrial disputes. The change which the Bill has introduced in the adjudicating machinery with its three-tier structure is one of form that adds nothing to its effectiveness. In one important direction it is a retrograde change. No rules or norms which may possibly be prescribed for the guidance of the two tribunals can be any substitutes for the grave loss of uniformity in interpretation of law and of co-ordination in awards which must follow the abolition of the labour appellate tribunal. It would be uncharitable to lay the blame wholly at the door of the Labour Ministry for inability to evolve an effective system of adjudication, but there is certainly something to be attributed to an attitude which hesitates to give impetus to the system of conciliation. Hitherto the bipartite machinery has received no enthusiastic backing beyond the half-hearted working of works committees. By all competent verdict, works committees have shown a record of failure and it serves no purpose to trace this failure to the absence of a clear definition of the division of functions between the committees and trade unions.

Against this background of hesitancy and procrastination—there has been no dearth of ministerial pronouncements of faith in labour-management co-operation in maintaining peaceful relations—it is a matter of hope and inspiration that incentive for such collaboration should come from private enterprise. It has broken the stalemate and set a bold example preparing the way for the approach of industrial democracy. The enlightened element of the private sector has mustered courage to give content to the worker's aspiration to develop his personality as a member of the industrial community within the enterprise. Last week the Tata Iron and Steel Company signed an agreement with its workers' trade union for their active association in the management of the undertaking. This is in reality not a new agreement, but it comes as a supplementary pact providing an instrument to give concrete shape to the worker's craving for a voice in management. The main agreement of January last had deferred the task of drawing up the precise machinery to a subsequent stage.

The consultative machinery prescribed in the supplementary agreement provides for workers' participation in the discussion of problems of management in specified spheres at three levels in the enterprise. The Joint Departmental Councils for each individual department form the base of the three-tier system and it is significant that workers' representation on these Councils is to exclude non-employee office-bearers of the trade union. The Joint Works Council intended for the entire enterprise comes at the medium level, while the Joint Consultative Council of Management constitutes the apex organization. Representation through one non-employee on the Joint Works Council and two non-employees on the Joint Consultative Council of Management is an essential concession made in recognition of the inadequate availability of employees of the requisite calibre as also of the fact that the outside element in the trade union movement will continue to

make its contribution within statutory limits for some years more. Nomination has been accepted as an initial measure, but the agreement stands committed to the principle of secret ballot as an instrument guaranteeing freedom of vote. The entire scheme incorporates the elements of a genuine democratic set-up.

This bold experiment in a decisive human approach to labour relations aims at developing the individuality of the worker in progressive stages. The worker's urge for self-expression and contribution as an individual as distinct from a wage-earner to the corporate life of the community is to find fulfilment in the successful implementation of the three-tiered machinery. His association with management is presumed to inculcate a healthy and growing appreciation of his role in the collective enterprise. But the fundamental objective undoubtedly is to induce willing and maximum effort in promoting productivity in the interest of his limited community as also of the larger community which is co-extensive with the country.

While the union has won absolute recognition as the sole bargaining agent for the employees and the unique concession in the history of Indian trade unionism of management's liability to collect membership subscription through the payroll, the management's right to hire, transfer, promote or take disciplinary action consistently with the Standing Orders has been recognized. The apex organisation which is undoubtedly the most potent in the whole structure has a wide latitude in advising the management on all issues governing the operation of the enterprise in the vital spheres of production and welfare. The area of advice also extends to such financial and economic matters as will be placed before it by the management. For reasons which can be readily conceded, issues concerning share-holders, managerial staff, taxation and confidential matters are excluded from the purview of consultation. The agreed scheme of consultation gives effective voice to workers in matters in which they are directly concerned without involving any abdication of the essential function and right of the management to manage.

This imaginative step forward in the achievement of joint consultation merits closer scrutiny in relation to its repercussions on the industrial economy of this country. It is easy to foresee that trade unions in other industries will exert pressure, motivated by political objectives, to demand extension of the joint machinery accepted by TISCO. Can it be conceded as an inherent ingredient of the industrial system? The grievous harm which indiscriminate extension will cause to production and employment cannot be underrated. TISCO has a solid tradition of joint committees, that has paved the way for the present reform. Its bold programme of expansion and modernisation makes this an opportune time for its trial. The postulates of the introduction of this experiment require large-sized units with a capacity to absorb its impact and voluntary consent of the parties. Enterprises in the public sector, by and large, satisfy the conditions implicit in the working of joint consultation and its desirability has been stressed time and over again by Minister themselves. The State has an avowed aspiration to play the role of a model employer; will it follow?

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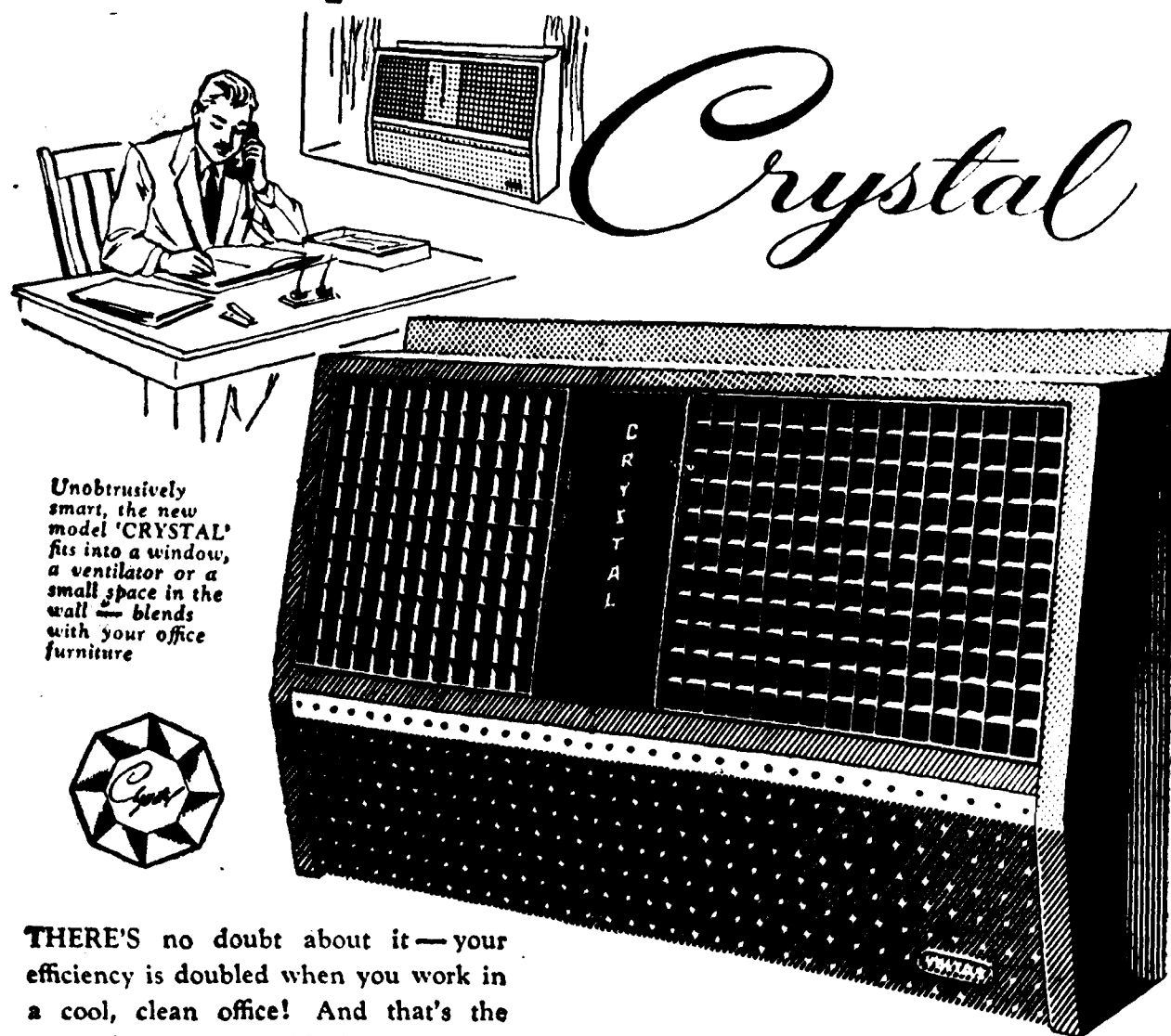
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THE WEEK'S NOTES

INDUSTRY MINISTER AND PRIVATE SECTOR

WHEN MR T. T. KRISHNAMACHARI, Union Minister for Commerce and Industry, told commercial interests at Madurai in the far South that private enterprise in India lacked initiative and enterprise, he gave it to be understood that these admirable qualities had to be planted in the minds of entrepreneurs by the Government of India and, in particular, by his Ministry. As the Minister had not forgotten the contribution made by the private sector in the first Plan period, he was obviously taking credit for such contribution. His words should merit reproduction: "What has the private sector done during the last four years on its own volition? I have found nowhere any instance of private enterprise coming forward voluntarily to start any major industry or to expand any industry so as to keep pace with the rising demand. From that point of view, private enterprise has failed me. Nevertheless in many cases they agreed to do what the Government wanted them to do".

This is an amazing statement by the Minister for Commerce and Industry. For, there is no reason to believe that in the first Plan period the private sector made a total investment in fixed capital of Rs. 340 crores only on account of the Government's prodding. The initiative for the expansion of the Tata Steel Works certainly came from the Tatas themselves in the first instance. The application for establishing a new iron and steel plant at Durgapur, again, came from private enterprise, though it was subsequently rejected for policy reasons. While the foreign private investment (Rs. 45 crores) in the petroleum refining industry was largely due to the incentive provided by the Government, the larger part of the total investment covering new projects, replacements and modernisation in the private sector could not have been due to the supposed Government's prodding. That the private sector has played a worthy part even in the face of some disincentive factors for which the Government have been responsible, is a fact that the Minister cannot slur over in the absence of tangible evidence of governmental initiative in all or most cases.

Perhaps the Commerce Minister, for obvious reasons, had to say what he said but without meaning it seriously. Whatever may be the political motivation for the prevailing fashion of teasing the private sector, the Government as such should be aware of the truth. The World Bank Mission's independent judgment on the performance of private enterprise may not also be ignored. The Mission has rightly pointed out that the importance of private business has not yet been sufficiently recognised and publicised. As private business has contributed 90 per cent of the increase in net output during the period in the organised sector of manufacturing and mining, the Mission has naturally paid a tribute to the creditable performance of private enterprise with respect to both investment and production. If, in the face of this evidence, the Commerce Minister is grudging in his tribute, his speech may have to be taken only with a large pinch of salt.

If, however, the Minister's words are taken to have been seriously meant, they cannot go unchallenged. Mr. Krishnamachari has only to look back to a time when he was not at the helm in the Commerce and Industry Ministry, to find that such heavy industries as aircraft assembly, ship-building, wheels and axles for railways, machine tools etc. owe their origin to the initiative and enterprise of the private sector. The Government, in most cases, have only entered a field where others were all along active or were preparing to act.

INDIA HARNESSES THE ATOM

THE PRIME MINISTER MR. NEHRU was reflecting the mind of the nation when he said that he was "delighted to learn that the atomic reactor has started production of atomic energy for the first time in India". There is a genuine feeling of pride in the country for being the first Asian nation to have advanced so far in harnessing atomic energy for the benefit of mankind. The Rs. 30-lakh "swimming pool" reactor at Bombay will produce a megawatt of power and will be primarily used for experimental purposes in the first stage. The ultimate objective of such reactors is to produce more power in the next ten years when India hopes to have a number of atomic stations. The present reactor draws significance not so much from what it can produce but how it was put up. To Indian engineers, who built it alone in a brief period of a year in the face of many difficulties, it will act as a source of constant inspiration for future plans which include the setting up of giant atomic generators. Work is already in progress on the Canadian reactor which is scheduled to be completed in two years. This reactor which is to cost Rs. 7 crores, to be shared equally by Canada and India, will produce as much as 30 megawatts of power. Of more vital importance to medicine, industry and agriculture alike will be the artificial isotopes that the second reactor will produce.

Though the present reactor was built entirely by Indian engineers, considerable international co-operation has gone into its establishment. The fuel elements for the reactor had to be imported from the UK, and heavy water will continue to come from outside for some time more. With the coming to fruition of plans like the production from the monazites of Travancore metallic uranium and thorium, and the setting up of a heavy-water plant at Nangal, this dependence will be reduced early. Nevertheless, the disparity between various countries in the knowledge of atomic energy is large. For speedier progress of mankind, it is essential that achievements in the peaceful sphere of the atom be shared by all nations. The Geneva Conference on the peaceful uses of atomic energy had also emphasised this point. It is in that spirit that Dr. H. J. Bhabha, who has been the moving spirit behind the Bombay reactor, has assured that India would make available all facilities of the reactor to interested scientists of all countries.

P. & T. FINANCIAL IRREGULARITIES

IN THE public sector of India, posts and telegraphs have always been as reasonably efficient as railways. But even the P. & T. Department has its own shortcomings and financial irregularities. These have been brought to light in the Audit Report of the Department's Accounts for the year 1954-55. The state of stores accounts, for instance, was unsatisfactory in spite of the steps taken by the Government at the end of the war to set them right by undertaking an overall physical verification of stores and by adoption of a mechanised store accounting system. The Department has also failed to carry out periodical verification of stock in Store Depots. The total losses of stores amounted to nearly Rs. 10 lakhs. As for defalcation, the total losses of public money on that account amounted to about Rs. 7.5 lakhs. Employees of the Department were responsible for the bulk of these losses.

Another major item of loss was due to the abandonment of a foundry project whose construction was started in a P. & T. Workshop in 1945. It was not completed even after 9 years from the date of commencement thereof. An expenditure of nearly Rs. 6.8

lakhs was incurred up to the end of 1954-55. A decision was taken to start working the foundry from January 1955 and raw materials of the value of Rs. 3.7 lakhs were obtained. But the scheme for working the Foundry was, however, abruptly abandoned in February, 1955. The infructuous expenditure to the Department in this case, owing to abandonment of the scheme at this stage, would be well over Rs. 1 lakh. This and other losses to the Department, though only a very small percentage of its annual revenues, are not inconsiderable in absolute terms. It is to be hoped that the Audit Report for 1955-56 will reveal fewer irregularities.

KENNAN ON U.S. FOREIGN POLICY

MR. GEORGE F. KENNAN, the well-known American authority on Soviet Communism, has recently presented to the liberal public in the United States a provocative thesis on his country's foreign policy. He starts with the proposition that the recent changes in Russia "represent the beginning of that mellowing process which overtakes sooner or later all militant movements". But Kennan is not disposed to exaggerate the possibilities of such changes, for he recognises "the very real differences of historical experience and tradition and outlook that still divide us from the Russian people and would continue to divide us even under the most liberal conceivable Russian regime". This is true of China also, and "the profoundly anti-American spirit of the political revolutions that have swept both these great countries during the past half a century" is too recent to be forgotten. Still Mr. Kennan does not "share in the savage enthusiasm many Americans have worked up over the cause of keeping the Chinese Communists out of the United Nations". He, therefore, asks why membership in the United Nations should be regarded as a privilege and a reward for good conduct at all. Here he is emphatic that acquiescence in the acceptance of any particular country into the United Nations would not commit the United States to any form of sponsorship or approval of the system of government of that country. At the same time he does not believe that America would stand to gain by entering into any direct diplomatic relations with the Chinese Government.

As for the European satellites of Soviet Russia, Mr. Kennan suggests a line of US foreign policy which will recognise "that evil, like good, produces its own vested interests" and which will be addressed to developing the possibilities of the present rather than to righting the wrongs of the past. "Where regimes of this nature have been in power for more than a decade", he says, "there can be no question of putting humpty dumpty together again and restoring the status quo ante". Mr. Kennan believes that the best America can hope for is the gradual evolution of these Communist regions to a position of greater independence and greater responsiveness to domestic opinion. He also warns that this transition might not be effected if the satellites are asked to challenge Russia's military interests or to embrace ideologies conflicting with what is dominant in that region today.

Two other elements of Mr. Kennan's thesis are equally forthright. Firstly, there should be an increase, rather than a reduction, in the neutral zone that divides American and Russian military power in Central Europe. As Kennan has always doubted the wisdom of rearming West Germany and bringing her into the Atlantic Pact, he particularly favours the earliest possible establishment of a reunified Germany "as a neutral factor that can blunt the sharp edge of military bipolarity in Europe and help eventually to mitigate the intensity of conflict between East and West." The three Western powers, he urges, should show a more genuine interest in German unification than they have till now done and a readiness to take greater chances and to

contemplate more realistic concessions, to achieve it. Secondly, Mr. Kennan pleads for a solution in which Japan, like Central Europe, "could eventually come to constitute a bridge and an area of reconciliation rather than a bone of contention between the two great world systems". This, in short, is Mr. Kennan's thesis which, whether acceptable to the US State Department or not, certainly reflects the liberal foresight of its brilliant exponent.

VOLTA RIVER SCHEME

THE VOLTA RIVER SCHEME for production of aluminium holds a great future for the Gold Coast and the world aluminium industry in general. Likely to begin in 1957, it is expected to step up world aluminium production by some 210,000 tons per annum. The cost of the scheme based on increased world prices for labour, materials and equipment is estimated at more than £230,000,000. The Aluminium Company of Canada and the British Aluminium Company would be taking part in the construction of the project. The International Bank for Reconstruction and Development would be an associate in the scheme sponsored by the two governments. The Gold Coast would be responsible for the public works connected with the project which would include further work at the port of Tema, now under construction. The United Kingdom would lend the capital required for the power side of the project (that is dam and the hydro-electric equipment at Ajena). Financing the work at the mines would be the sole responsibility of the aluminium companies whose range of investment is not likely to be less than £56,000,000.

Agreements in final form are expected to be signed on the attainment of self-government by the Gold Coast. African politicians hope that the project would bring to the Gold Coast the advantages of a large-scale industry with a reliable and ready export market. They consider that the dam and power installations will earn revenue for interest, amortization and operation from an estimated 600,000 kilowatts of continuous power available for the smelter and other purposes. The creation of an artificial lake of some 3,500 sq. miles in extent opens up the potentiality of a fishing industry with an output equal to that now obtained from coastal shipping. So far as the health and sanitation problems connected with the creation of the lake are concerned, they have been thoroughly studied. No danger is expected, and it is hoped that even the existing scourge, "river blindness," would be considerably controlled. An assessment of the man-power requirements reveals that nearly 15,000 men would be employed in the construction of the dam and power installations.

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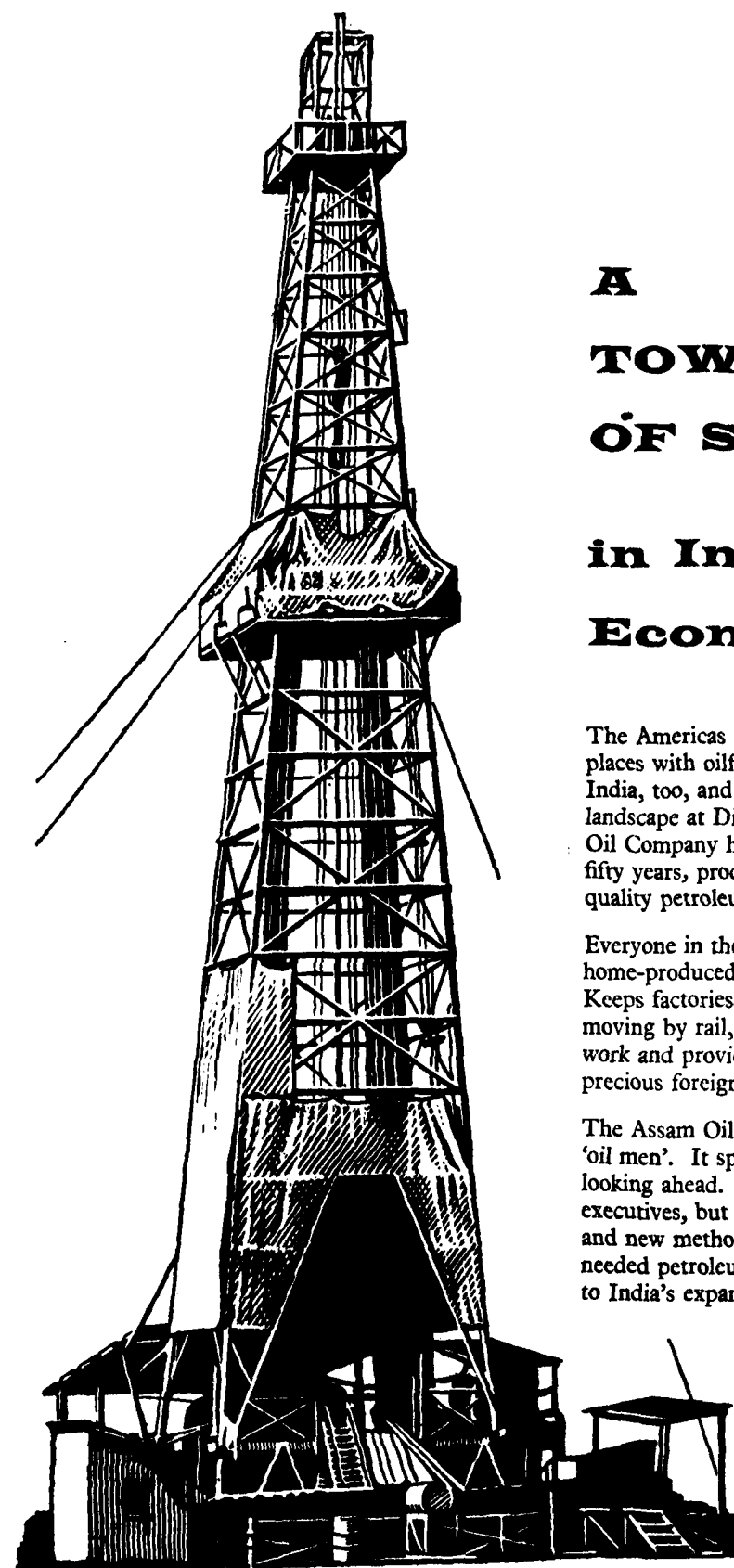
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A Window on the World

THE C.O.E.C.S.D. AND YOU

By

ODYSSEUS

WHAT, in the economic sphere, is the "public interest"? The supporter of Free Enterprise argues that where competition is free and anti-trust laws prevent monopolies, the combination of the producers' search to maximise their profits and of the controlling power of consumers' demand leads to a vigorous, changing and growing economy. The "public interest" is achieved when all consumers spend as they like and producers endeavour to satisfy their demands—rewarded by higher profits where they succeed, penalised by losses where they fail.

The Socialist is quick (and right) to point out that the controlling power of demand—originating in wages, earnings, and incomes—may be unequally distributed. Too much of the national income may be going into the pockets of privileged classes. The classic examples always cited are of small groups of aristocrats or plutocrats diverting too great a proportion of national production into luxury consumption, like yachting, horse racing, Rolls Royces, Riviera holidays, vast private residences, parks, and estates, while the under-nourished masses live in slums and in "palaces" in which the architecture is less striking than the consumption of gin.

While conceding the substantial element of truth in this dark picture, it is important, if we are to cure contemporary ills—as opposed to those of the past—not to think of it as painted once and for all, unchanged and unchangeable. In the industrialised West, thanks to progressive electoral emancipation and to the curbing of economic power by factory legislation, unemployment pay, trades unions, etc., the standard of living of the masses has risen steadily. So much so, that if we admit freely, as we must, that the distribution of the controlling power of demand remains faulty, today it is the middle classes among whom it is inadequately distributed and who constitute the ranks of sweated labour. The diversion of an excessive percentage of the national income in the nineteenth century to the upkeep of palaces and parks is in Western Welfare countries today paralleled by the percentage diverted to the provision of television sets, small cars, and cheap subsidised houses, for the masses at the expense of the rest of the community.

The Free Enterprise supporter agrees that maldistribution can be corrected by taxation, but he insists that taxation must not be raised to the point when it kills the incentive to save and to produce. A state in which free enterprise, competition, and incentives are at work is dynamic, and able to afford diminution of social injustice by a substantial re-distribution of a rising national income. But where enterprise is killed by excessive taxation and state control, you get re-distribution either of a declining national income or of one that is not rising fast enough to support the mass consumption industries that Welfare re-distribution fosters.

WHAT IS "THE PUBLIC INTEREST"?

The crux of the difference between the two points of view lies in defining "the public interest".

To the Socialist, who remains unconvinced by the Free Enterprise definition cited in my first paragraph, one must point out the lessons of experience. Probably the best case history of the results of eliminating competition and substituting state control "in the public interest" is that of Germany. The 1923 Cartel Act sought to counteract the abuse of economic power by subjecting cartels to state control. Far from making cartels unattractive to employers and workers, this Act caused the number of cartels to rise rapidly to 2,500 within two years.

Why? First because (as we saw last week) where the workers share the profits of a monopoly, they are as much impressed by the blessings of monopoly as any reactionary capitalist. Secondly, because once public corporations have begun to flourish in a state, they gain increasing political influence until as part of the machinery of government, the state acquires a vested interest in their maintenance. The point is easily grasped when you contrast the amenability of a private company to public opinion, legal action or legislative control, with the difficulty of bringing a government department to book. If after months of frustration in dealing with the department, you manage to inspire a question about it in Parliament, think of the smooth departmental evasions with which a busy and over-worked Minister is provided to answer your complaint. In perhaps one case in a hundred can an aggrieved private citizen with influential parliamentary connexions obtain satisfaction. Without such connexions, he hasn't a hope.

It used to be widely held in inter-war Germany, just as it still is in India today, that the abuse of economic power by private individuals, firms or groups, can only be ended by transferring that power to "the state". But all that Germany's experience demonstrated was that the abuse of economic power is not abolished but intensified by greater concentrations of economic power.

NATIONALISATION—GERMAN AND BRITISH EXPERIENCE

State monopolies must either (a) pursue the same monopolistic policies as private monopolies follow (unless controlled by competition and anti-trust laws) and strive to reach the point of maximum net profit which normally is far from the point of optimum service, in which case their charges constitute a hidden indirect tax, or (b) as in the case of the British railways, they frankly abandon all hope of making both ends meet, and pile up losses which are met out of taxation.

The plain fact is that an enterprise which cannot make both ends meet is economically unjustified.

A private firm faces this reality by going out of business, thus paving the way to change and growth and a rise in the standard of living. A state monopoly avoids reality by charging its losses to the tax-payers, thus not merely impeding change and growth but lowering the standard of living to the extent of its losses.

"Nationalisation amalgamates economic and political power," wrote the great German liberal economist, the late Walter Eucken. "Uniting the rival spheres of economy and state, it is a form of concentration that renews and increases the problem of power." And R.H.S. Crossman, discussing British experience of nationalisation and bureaucratic despotism, says "The first task of Socialism, therefore, in the 1950's must be to expose this growth of irresponsible power; to challenge this new managerial oligarchy; to show that its monopolistic—or oligopolistic—privileges are a threat to democracy and to demand that it should become the servant and not the master of the nation."

Thus we find two distinguished thinkers of the centre and of the extreme left agreed on the results of nationalisation.

Combined German and British experience enables us to realise how the problem of the abuse of economic power cannot be solved. On the one hand, complete *laissez faire*, by legalising abuses of freedom of contract ends in killing freedom through the creation of private monopolies (which tend to become state monopolies). On the other, attempts to control private monopolies by state intervention kill freedom through the creation of state monopolies.

"Power remains power whoever exercises it," says Eucken, "and it is in public rather than in private hands that power reaches its zenith." And R. H. S. Crossman says: "In Britain, we are faced with the following dilemma. Since the abuses of oligopoly cannot be checked by free competition, the only way to enlarge freedom and achieve a full democracy is to subject the economy to public control. Yet the state bureaucracy itself is one of those concentrations of power which threaten our freedom. If we increase its autho-

rity still further, shall we not be endangering the liberties we are trying to defend?"

The reason why Crossman is compelled to dismiss competition is because, as we have seen above, when the workers share the ransomes exacted by a monopoly they naturally reject competition as 'reactionary Manchesterism'.

Darwin's conception of the survival of the fittest is as true of economics as of biology. There is a popular myth that modern technology demands ever bigger industrial units and that competition is obsolete now that economies can be regulated by private cartels or state control, central planning, and full employment policies. But this is to argue in a circle, to claim that although competition was workable before the appearance of dinosaurs, their existence necessitates the disappearance of smaller species now that swamps can be controlled by central planning boards intended to maintain dinosaurs in full employment.

Of course this is "in the public interest" if we happen to be dinosaurs, but what if we're not?

Private or state controlled monopolies—indeed Socialism itself—far from being processes of Marxian "inevitable development"—are the defensive reactions of dinosaurs, which you will remember, were very large reptiles with very small brains, against the natural competition that eliminates the unfit. Economic history shows that wherever smaller firms have yielded to big units, competition—unless artificially stifled—gains ground by the widening of markets and the development of substitutes. It is only under state control that dinosaurs limit the consumers' choice in the public interest as defined by the C.O.E.C.S.D. (Central Organisation for Economic Co-operation among Socialised Dinosaurs).

THE GHOST WALKS

(From Our Special West European Correspondent)

PARIS, August 4.

THE ghost in question is Peace, or at least his twin, Disarmament. That the prospect of a genuine move toward disarmament should spread diplomatic panic in many capitals of Continental Europe might seem extraordinary, especially since the economies of Europe are straining under the burden of military budgets, and the rebirth of a German army is viewed with frank dismay everywhere on the Continent outside Bonn. But such is the fact. Recent statements by Mr. Dulles and Sir Anthony Eden suggesting that their countries would follow Russia in drastically reducing their armies have caused considerable alarm, alarm which has been expressed officially and in the sharpest terms in Bonn and only thinly disguised in Paris. So vehement has been the Continental reaction that the US and British leaders have had to give assurances that nothing will be done without consultation and agreement with their Continental partners, but these assurances have not allayed the anxiety felt here and in West Germany.

This anxiety would of course be natural if the reduction of classical armaments by the Anglo-Saxon powers meant that West Europe were to be left unprotected, the prey of 200 Russian divisions. But no one in Bonn or Paris imagines this, and such dangers have not been mentioned in the current display of anxiety. Everyone knows that Russia is already reducing her own armies, and although this reduction is not being internationally verified as one would like it to be, each side knows well enough what the other is doing for us to assume that when these changes are complete the balance of military power in the European Continent will be substantially the same as before. So the Continental case cannot rest simply on the fear that West Europe is being deserted by her Anglo-Saxon allies and exposed to an increased danger of invasion.

French and German apprehension has another foundation. It is realised here that the Continent is helplessly watching the transfer of the technique of war to another level, a level on which the Continental countries have no competence and on which, therefore, they can have no political influence. As long as the world went on believing that future war would be made primarily with classical weapons, the Continent retained an eminent military and political importance, which was consecrated on one side in NATO and on the other side in the Warsaw Pact. But once the reduction of classical armies makes clear that war has passed wholly into the nuclear stage, then the Continent, which contains no nuclear powers, has lost much of its political and military importance. This will be no new experience for Eastern Europe, which was reduced to political nullity in 1945, but the prospect of similar eclipse, even though unaccompanied by any measure of external domination, is not relished in Western Europe.

Writing here ten weeks ago under the heading "The Horrors of Peace" (The Eastern Economist, May 25), I described this spectral prospect in these words: "One day soon the Russians and the Americans will agree between themselves to inaugurate an era of genuine peace; they will each keep a stock of hydrogen bombs, and planes to carry them and a radar network to find the planes, but they will wind up most of their own armies and all the armies of their allies and satellites; they will co-operate in maintaining total secrecy about

how to build big bombs and they will dole out such information as they think safe to the rest of the world; they will agree to put an end to European colonialism, which neither of them like; they will throw overboard all the Adenauers and all the Ulbrichts and insist that every nation in the world outside the Super-Big Two find itself a Nehru or a Tito, and thereafter shut up. In sum, the world is drifting toward a new Yalta at which there will be only two participants and from which will issue a planet composed of neutralists policed from Washington and Moscow. These, for Europe, are the horrors of peace." As was emphasised then, and needs to be underlined again, no one in Paris or Bonn necessarily believes that events will take exactly this course, but this is the danger in the light of which Continental diplomacy is being framed. And it is certainly the thought that lay behind energetic French and German protests against classical disarmament by the Anglo-Saxons.

Admittedly, a supplementary argument has been aired in the Continental capitals in the last few weeks: that transition to a full-fledged atomic age will increase the danger of war, or at least the danger that any local war might become a nuclear, and hence a universal, war. This is a curious argument. As long as the two (or, with Britain, three) really big powers possess a range of nuclear weapons, it is not clear how the maintenance of old-style armies makes war of any sort less likely; the contrary seems more plausible. As for local wars spilling into nuclear conflicts if Russia and America have no armies but plenty of atom bombs, this is a possibility that could never concern Continental Europe, where local wars are, and have been since 1945 and earlier, quite impossible. Any movement of troops across European borders in our day, no matter if such troops were equipped only with bows and arrows, would not be a local war but the first day of a world war. In general, the claim that the world becomes unsafer if Russia and the Anglo-Saxons disband their armies more or less equally cannot be supported. Of course matters would be very much better if atomic weapons were included in disarmament, but this is a remote prospect at present and meantime "classical" disarmament contains no military dangers. It does, however, contain obvious political dangers for Continental Europe.

American plans for classical disarmament (which would naturally entail withdrawal of many if not most U.S. troops from the Continent) are being described here and in West Germany as another American retreat into isolation. The word "isolation" appears in the headlines of half a dozen French and German newspapers I have before me now. But it is being used quite unthinkingly, not to say wildly. Isolation, in the day when this was in fact U.S. policy, meant isolation from European "quarrels" generally, isolation not only from potential friends ("entangling alliances") but from potential enemies. That is, the USA was isolated not only from Britain and France but from Hitler and Mussolini. But today no one in the USA, even in the sleepiest corner of the Mid-West, supposes that America can isolate herself from Russia, that she can forget about Russia the way she tried so long to forget about Fascist Germany, Italy and Japan. Isolation today cannot mean for America putting a distance between herself and her potential enemy—but it could mean putting a distance between herself and those of her friends who have remained in the pre-atomic age. This latter operation would not have the consequence of handing over the Continent to Russia, but it could

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have the objective of better securing world security (as understood by Americans) in the only way that now matters, by full nuclear preparedness. So when Continentals denounce incipient American isolation, they cannot believe what they say. The isolation in question threatens not the USA but themselves: the isolation of becoming politically unimportant in an age when war can only be made with weapons that the Continent does not possess.

That the French Government should exhibit anxiety about the possibility of conventional disarmament is particularly significant. Firstly, Paris has taken the lead in the West in advertising the improved security resulting from the political changes in Moscow; on this point Monsieur Pineau notoriously shares Mr. Nehru's optimism. Secondly, France herself has shown no hesitation in removing almost all her own army out of Europe into North Africa. And thirdly, Monsieur Pineau is the author of a grandiose plan for creating a world development fund from the proceeds of disarmament. None of these facts would entitle France to view American and British disarmament plans with alarm, and I suspect that this alarm will diminish as France progresses on her own atomic weapon programme (which was promised as a condition for joining Euratom). That is, French anxieties about the atomic age will decrease when she herself, by owning an atomic bomb, feels that she has some political place in it. West Germany, on the other hand, has signed away her right ever to enter the atomic age in a military sense, in the Paris Treaties, and so Bonn's pessimism about the political future is unlimited. When Dr. Adenauer says that the winding up of conventional armies will "leave West Germany at the mercy of the

East" he simply cannot mean this literally. He could mean, however, that the ultimate reunification of Germany will be, in a fully atomic age, the sole concern of the nuclear powers, without any assistance from governments who were militarily, and hence politically, insignificant. This, for the Continent, is a fair sample of the dangers of an atomic peace.

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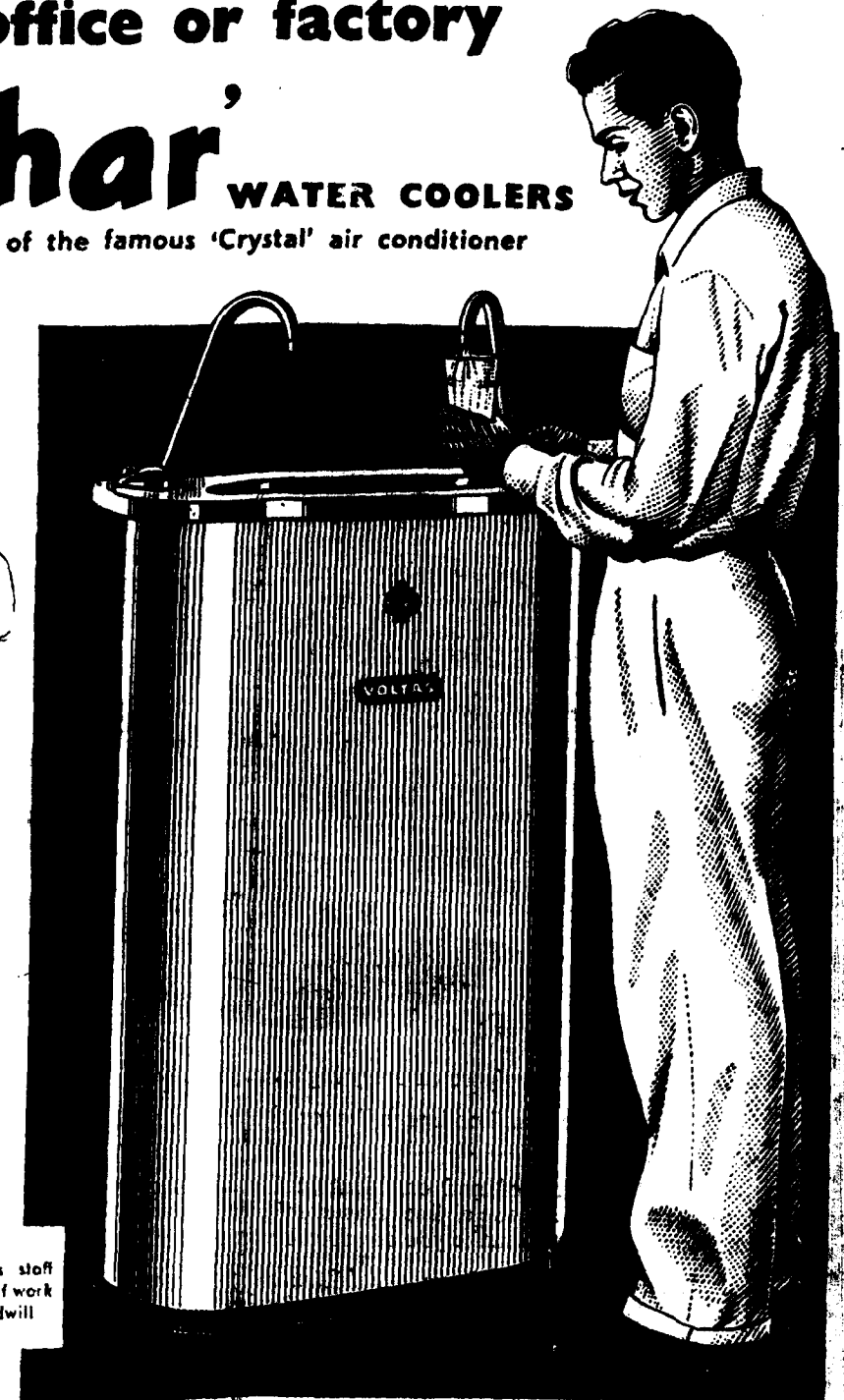
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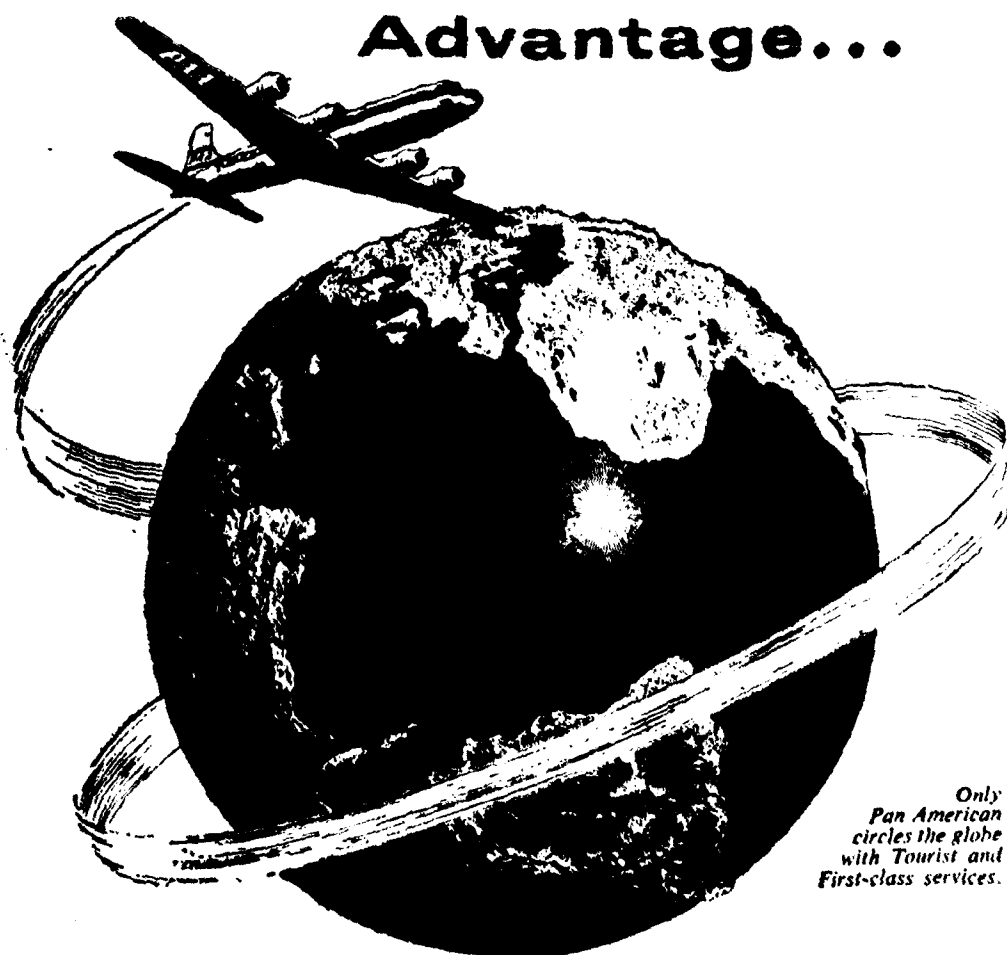
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AGRICULTURE

Forest Plantations in Andamans: Dr. Panjabrao Deshmukh Union Minister for Agriculture revealed in the Lok Sabha in a written reply that 250 acres of minor forest product plantations such as cane, kapok, etc. at an estimated cost of Rs. 25,000 and 5,000 acres of matchwood and plywood plantations at an estimated cost of Rs. 5 lakhs would be developed during the second Five-Year Plan in these islands. The schemes were in the initial stages of implementation.

Import of Tractors from Russia: The Government of India imported from USSR in 1954 four tractors for trial at a cost of Rs. 4,385 each. The USSR Government made a gift of one tractor to the Government of India in 1955 and 66 tractors in 1956, besides, a considerable quantity of allied equipment. Licences to certain private importers for importing Russian tractors had been issued and if they utilised the licences, these tractors would be available for sale in the market.

Mysore Inams Abolition Amending Bill: The President has given his assent to the Mysore (Personal and Miscellaneous) Inams Abolition (Amendment) Bill, 1956. The Mysore (Personal and Miscellaneous) Inams Abolition Act, 1954, provided for the abolition of certain categories of inams in Mysore State. The Act, however, conferred on the inamdars occupancy rights not only in the lands under their personal cultivation, but also in the lands in possession of tenants-at-will. The general policy of the Planning Commission is that tenants-at-will should be given full security of tenure. The State Government have, therefore, promoted the present Bill inserting a new chapter in the principal Act so as to confer permanent and heritable rights of tenancy on tenants-at-will of inamdars. The Bill also includes a provision that the premium payable by a quasi-permanent tenant will be a little more than the premium payable by a permanent tenant.

Co-operative Training Facilities: There are at present 13 regional institutions for the training of senior and intermediate co-operative personnel set up under the Central Committee for co-operative training which is expected to co-ordinate the various schemes for co-operative training and education in the country. Of these, eight are intended for catering to the special requirements of co-operative officers in the Community Development projects and National Extension Service Blocks. Special attention is being devoted to the setting up of short specialised courses in co-operative training at the regional centres. Two such courses one in co-operative marketing at the Poona and the Meerut regional centres, and another in land mortgage banking at the Madras training centre, are already in operation.

INDUSTRY

Draft Standard for Maida: The Indian Standards Institution has issued, for eliciting comments, a draft standard for maida to assist food industries and the general consumer to procure wheat flour of standard quality according to the purpose for which it would be utilised. Enrichment of wheat flour with calcium carbonate, iron, thiamine, riboflavin and niacin, as is done in other advanced countries of the world, is also envisaged in the draft standard. Besides protein, moisture, granularity, total ash, acid insoluble ash, protein and crude fibre, two other characteristics, namely limits for water soluble and alcoholic acidity have been prescribed in the draft to ensure the freshness of maida. Methods of sampling and test to check con-

formity to standards and mode of packing and marketing have also been laid down.

Future Development of Re-Rolling Industry and Steel Foundries: The Government of India have set up a six-man Committee to recommend the lines on which the expansion of the steel re-rolling industry as well as of electric furnaces and steel foundries should take place in future. The Committee will study the raw material requirements of the existing electric furnaces, foundries and re-rolling mills and assess the kind of expansion that is possible. It will also suggest ways and means of improving the efficiency of the existing units and recommend steps that should be taken to make them economic and independent of any form of price subsidy for raw materials. The additional capacity required to be set up for these industries will also be assessed and suitable locations for new units will be suggested by the Committee. The Committee is expected to report by the end of September, 1956.

Tests on Building Stones: The following six draft standard methods of carrying out strength tests on natural building stones have been circulated by the Indian Standard Institution for eliciting comments: method of carrying out strength tests, methods of test for determining specific gravity and porosity, specification for petrographical examination, method of test for water absorption, method of carrying out weathering test, method of carrying out durability test. Comments on these draft specifications, which have been prepared by I.S.I.'s Building Stones and Bricks Sectional Committee may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before, September 11, 1956.

TRADE

Foreign Trade of India by Land during June, 1956: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during June, 1956, are as follows: Merchandise Exports: Rs. 43 lakhs; Exports to Eastern Pakistan: Rs. 23 lakhs; Exports to Western Pakistan: Rs. 15 lakhs; Exports to other countries Rs. 5 lakhs; Merchandise: Re-exports: Negligible. Merchandise: Imports: Rs. 1.05 lakhs; Imports from Eastern Pakistan: Rs. 87 lakhs; Imports from Western Pakistan: Rs. 9 lakhs; Imports from other countries: Rs. 9 lakhs; Total Trade: Rs. 148 lakhs; Trade in Treasure: Negligible; Balance of Trade. The total value of exports including re-exports fell short of imports by Rs. 62 lakhs.

Export of Iron and Manganese Ores: In conformity with the Supreme Court's order dated July 24, 1956, and in supersession of the orders contained in the Press Notes issued on June 22, July 12, and July 16, 1956, it has been decided to regulate the export of iron ore and manganese ore during the period July-December, 1956, on the following basis: (a) Export quotas will be granted separately for each of the ports through which exports are effected. Separate quotas will thus be granted for the ports of Calcutta, Vizagapatam, Masulipatam, Kakinada, Madras, Redi, Bombay, Bhavnagar, and Kandla; (b) Export quotas will be granted to shippers and mine-owners on the basis of two-thirds of the quotas allotted to them for the half year July-December, 1955; (c) Shippers and mineowners who effected exports during the half year July-December, 1955, otherwise than against quotas will be granted quotas on the basis of actual performance. Quotas will

be allotted to them equal to three-fourths of the total quantity exported through the port concerned from July 1, 1955, to December 31, 1955, less such quantity as might have been exported by them against quotas which had been allotted to them during July-December, 1955. Shippers/mineowners are advised to give along with their application a statement, duly supported by an affidavit, giving quantities exported by them against quotas issued during July-December, 1955, and (d) Wagons will be allotted by the Railway authorities on a pro-rata basis to mineowners on the lines on which the mines of the quota holders are situated and to shippers on the lines which have been used by them during the period July-December, 1955. Applicants are advised to file an affidavit along with their application giving the lines on which they have moved their ores in July-December, 1955, and stating the quantity for which they would like movement facilities on each of these lines. Applicants are advised to submit their applications to the Export Trade Control authorities at the ports with the minimum possible delay.

Trade with Latin American Countries: The Minister for Commerce and Industry, Shri Krishnamachari, stated in the Lok Sabha recently, that India's missions in Rio De Janeiro and Buenos Aires were endeavouring to develop trade with these countries by arranging trade shows periodically. It was also proposed to hold an exhibition of Indian exportable goods either at Buenos Aires or Rio Janeiro next winter. In addition, the various Export Promotion Councils set up by the Government of India were devoting attention to increasing exports from India to all countries including the Latin American countries. The Minister said that the question of concluding a trade agreement with Chile was under consideration. India's imports from Latin American countries consist of imports like mineral oils, precious stones, raw cotton, sugar, chemicals and metals and ores and exports of jute manufactures, coir manufactures, cotton piece-goods, lac, kapok, tea, tobacco, paraffin wax, gums and resins, castor oil, and paints and painters' materials.

Import of Raw Rubber: Under the import policy for the current half-year it was announced that the import of raw rubber would be canalised on a basis to be specified later. The question has been reviewed and Government have decided that imports of the following grades of raw rubber would be licensed to actual users on an 'ad hoc' basis: (a) crepe rubber other than sole crepe; (b) sheet rubber; (c) scrap rubber; (d) latex; (e) synthetic rubber; and (f) reclaimed rubber. Imports would be licensed subject to such conditions as the licensing authority may deem fit to impose. Applications from actual users in respect of the above mentioned grades should be submitted on the Chief Controller of Imports and Exports, New Delhi, before November 19, 1956.

Indo-Pakistan Trade: It is reported that there had been a general reduction in imports into Pakistan from all sources, as compared with 1951-52, and that exports from India had declined more steeply on account of a variety of causes. The commodities in respect of which India's exports to Pakistan had been adversely affected were cotton fabrics, cotton twist and yarn, tobacco and bidis, jute manufacture, fresh fruit and vegetables, betel leaves, spices, vegetable oils, leather, soap, chemicals, drugs, medicines and building materials.

FINANCE

Payments Due From Pakistan For Canal Water Supplies: Shri Jaisukhlal Hathi, Union Deputy Minister for Irrigation and Power, told in the Rajya Sabha recently that the total amounts specified by the Prime Minister to be paid by Pakistan for canal water supply

from Punjab for the period ending September 30, 1956, under the Agreement of May 4, 1948, were: disputed Rs. 103,15,740 and undisputed Rs. 286,06,925. Shri Hathi, who was replying to Shri M. Govinda Reddy, added that India had so far received from Pakistan: disputed Rs. 29,36,465 and undisputed Rs. 244,06,004.

State Bank Branches: In reply to a written question by Shri Bhakt Darshan, Shri Arun Chandra Guha, Minister for Revenue and Defence Expenditure, revealed in the Lok Sabha that four branches of the State Bank of India had been opened since May 3, 1956, in the following centres against the approved list of 100 new centres:

	Opened on
1. Kancheepuram (Madras)	25-5-56
2. Virajpet (Coorg)	11-6-56
3. Coonoor (Madras)	25-6-56
4. Nuzvid (Andhra)	25-6-56

In addition, seven branches of the State Bank, the Minister said, had been opened since May 3, 1956, at the following places against the list of centres selected for the expansion programme previously initiated by the Imperial Bank of India:

	Opened on
1. Silchar (Assam)	4-5-56
2. Cooch Behar (West Bengal)	14-5-56
3. Jagdalpur (Madhya Pradesh)	25-5-56
4. Gurgaon (Punjab)	1-6-56
5. Suri (West Bengal)	4-6-56
6. Satara (Bombay)	11-6-56
7. Beawar (Ajmer)	29-6-56

GENERAL

India's Livestock Population: There has been an increase of 15 millions in the total livestock population of India during the last five years. The population in the current year amounts to 307 millions as against 292 millions in 1951 thus showing an increase of slightly over 5 per cent during the quinquennium. Out of the total livestock strength, cattle form by far the largest proportion, being about 159 millions; followed by goats numbering 56.6 millions, buffaloes totalling 44.8 millions and sheep aggregating to 38.7 millions. The remainder of about 8 millions includes 1.5 million of horses and ponies. This information is revealed by the Eighth All-India Livestock Census conducted in March-April, 1956, with the 15th April as the date of reference.

Rates of Petroleum Products: Shri P. S. Naskar, Parliamentary Secretary to the Union Minister of Works, Housing, and Supply, informed the Lok Sabha recently that the price of petrol was Rs. 1-4-3 per gallon in Bombay, Rs. 1-1-0 per gallon in London and Rs. 1-0-0 gallon in Melbourne/Sydney. The price of aviation spirit was Rs. 1-9-9 per gallon in Bombay, Rs. 1-8-0 per gallon in London and Rs. 1-12-3 per gallon in Melbourne/Sydney.

I.C.I.'s New Venture: Imperial Chemical Industries Ltd., and Hercules Powder Company of U.S.A., are to build an \$11 million plant in Missouri for the manufacture of methyl methacrylate. British Treasury sanction for I.C.I. to participate in this project has been obtained. The new plant with an annual capacity of 34,000,000 lbs., will be built on a 20-acre site at Louisiana, Missouri, adjoining the Missouri Ammonia Works owned and operated by Hercules Power Company. The new Company will make and sell both monomer and polymer in various forms. Imperial Chemical Industries Ltd. was the pioneer of the process used throughout the world for the synthesis of methyl methacrylate monomer. Methyl methacrylate is made on a large scale by only two other companies in the United States and at present its main application is as a plastic polymer.

NEWS IN BRIEF

INDIAN

The Government of India has decided to give as loan to weavers co-operatives 66-2/3 per cent of the total amount allotted towards the construction of houses. Till now, the Government was providing 33-1/3 per cent of the construction amount as grant and 50 per cent as loan while the balance had to be met by the weavers themselves.

It is reported that while the demand for payment of bonus to workers in the Sindri Fertilizer Factory had not been conceded, Government had, however, decided to give on an ad hoc basis a sum of Rs. 16 lakhs.

The Geological Survey of India has taken up a survey of limestone deposits in the Kashmir Valley. The survey is conducted to herald preparation and execution of the project to manufacture cement in the State.

Since the commencement of the second Plan period, 17 new welfare extension Projects have been started in addition to the 294 started till the end of the first Plan period. Of these 17 projects, one is in Andhra, three in Bihar, one in Bhopal, one in Delhi, one in Madhya Bharat, two in M.P., two in PEPSU and six in Travancore Cochin.

The President has given his assent to the Ajmer Sales Tax (Amendment) Bill, 1956. The present bill seeks to exempt charkha, including Ambar Charkha and parts thereof, from the levy of sales tax under the Ajmer Sales Tax Act, 1955.

Erection work is proceeding on Burmah-Shell Refinery site at Trombay on six tanks of the latest type equipped with floating roofs. Three tanks of this type of 4,000 tons capacity each are already in use and two more of 5,000 tons capacity are nearing completion.

During 1955-56, 13.63 lakh tons of iron ore, valued at Rs. 6.27 crores, was exported from India.

Export cess on tea collected in 1955-56 amounted to about Rs. 1,58,75,976 compared with Rs. 1,28,52,580 in the previous year. This excludes cost of collection.

The Madras Government will shortly announce the flotation of a 4 per cent, Rs. 12-crore loan. The Reserve Bank has already given its sanction for floating the loan. The issue price of the new loan would be fixed at Rs. 99-12 and that it would be redeemable in 12 years.

The managing agency of the Eastern Shipping Corporation would be taken over by the Government from Scindia Steam Navigation Company Limited on August 15.

India obtained 114,000 tons of wheat and 2,051 bales of cotton valued at Rs. 4.76 crores from the USA by way of aid during 1955-56.

FOREIGN

The US Commerce Department has announced that on the basis of personal income for June, the nation's 1956 annual rate has been estimated at \$324,000 million. The 1955 total was \$306,000 million.

The US Department of Agriculture has raised the sugar quota for 1956 by 125,000 tons to a total of 8,575,000 tons and revised their distribution under the new sugar Act.

World oil production in the first half of 1956 is estimated to have risen by about 10 per cent over the corresponding period of 1955. The rate of increase said to be one of the highest the industry has ever experienced, had been due to greater consumption than was expected.

The scholarship scheme sponsored by the Federation of British Industries (F.B.I.) for giving practical-training to overseas engineers in the United Kingdom is to be enlarged. In the 12 months up to 31st March this year, 107 scholarships had been awarded to engineers from 19 different countries.

An official Committee has been set up by the Portuguese Government to study conditions in the depressed cotton spinning and weaving industry.

It is reported the US Export-Import Bank will lend \$150 million to Brazil. The loan will be used for railway, power and port development.

An increase of nearly 40 per cent in Israeli exports to Britain was recorded over the first five months of this year as compared with the corresponding period of 1955.

The Indonesian Government intends to take measures to check the decline in exports. It is reported export duties will be lowered on rubber, tobacco, and sugar and raised for tea, coffee, copra, palm oil and pepper.

France had a heavy trade deficit with foreign countries of over Frs. 36,500 million (£36 million) in June. This followed an adverse balance of around Frs. 38,000 million in May and brought the total deficit for the first six months up to Frs. 176,380 million, or nearly treble the Frs. 59,000 million deficit for the corresponding period last year.

According to recent official figures 13.9 per cent of Morocco's import during the first quarter of 1956 came from the dollar area. Their value was \$16 million. In the same period, 1.5 per cent of the country's exports valued at \$1,275,000 were sold in the dollar area.

Details of a £230-million scheme for turning the Gold Coast into one of the World's large aluminium producers are given in a report, issued by an international commission of technical experts. Three Commonwealth countries—Britain, Canada, and the Gold Coast—have been jointly responsible for initiating the three-year preparatory Volta River inquiry.

BOOK REVIEWS

A GREAT STORY

The Story of the Integration of the Indian States: V. P. Menon: Orient Longmans: Rs. 25.

In this remarkable book—the most authoritative that has issued on the subject of the Integration of the States because its author had so much to do with the process of integration—there is told a story of imagination and administrative competence of which every Indian can well be proud. It may be that because the story is told by an actor with a strong personal equation, one tends to miss the extraordinary power of the real architect of Indian unity, who was Sardar Vallabhbhai Patel. Both the pictures and the cartoons miss this point that it was the political power of the great Sardar that, in the last analysis, compelled unity. It was possible for him, though perhaps not very easy in some States, to set in motion Congress, or as they were then called Praja Mandal Oppositions which, in time, would have dislodged recalcitrant Rulers. It is precisely because of this fact that Mr. V. P. Menon and his team were successful. Had the political following of Sardar Patel been one whit less, the battle would have been far more difficult.

While it is right that full credit should be given to the Deputy Prime Minister, the record of the obstacles which had to be overcome before success was achieved will show that the author had a decisive part to play in the history of Indian integration. The tremendous prestige that Mr. V. P. Menon occupied between 1947 and 1950 in the States, that is to say, that portion of India which was not British India, had to be seen to be believed. It seems a pity that his talents were not fully utilised by the Government of India after his retirement from office. For this apparently there are more reasons than the simple one, that the age of retirement is a bar which very few can cross.

In this remarkable book which has been made possible by a grant from the Rockefeller Foundation there is told with great skill and a fine historical sense the story of how Indian unity was brought about. It was no less difficult because the part laid so to speak in the grooves of the history. It is good for us to draw our success here into other fields where equally history seems to be waiting for results. The author's concluding paragraph will find an echo in many Indian hearts.

"Contemporary opinion has already anticipated the verdict of history in regard to the integration of the States. To have dissolved 554 States by integrating them into the pattern of the Republic; to have brought about order out of the nightmare of chaos whence we started, and to have democratized the administration in all the erstwhile States, should steel us on to the attainment of equal success in other spheres. For the first time India has become an integrated whole in the real sense of the term, though this is but the foundation on which to build a prosperous Welfare State. An amorphous mass of aspirations has to be integrated. Life has to be made meaningful for the millions who have led a twilight existence. New tracks must be laid for the questing spirit.

"In the tasks that lie ahead, India would do well to remember the pregnant words of Sardar that 'it will be folly to ignore realities; facts take their revenge if they are not faced squarely and well'."

THE DECLINE OF JOAN ROBINSON

The Accumulation of Capital: By Joan Robinson: Macmillan & Co., Ltd.: 15 sh. net.

A treatise on the Accumulation of Capital, particularly in underdeveloped countries, is certainly urgently required at the present time. How, for example, has the Indian economy found funds over the last five years out of its own resources for development? One might, looking through many books, not find an answer.

Unhappily Joan Robinson has no precise answer either. There are many interesting sidelights on the subject of capital accumulation in this book; some of these relate to technical progress and chapters 9, 10 and 12 have suggestions with a possible Indian application. But when one comes to enquire which cause has been responsible for what quantity of accumulation, one finds how rarefied and theoretical this book is. The mathematician might find some complicated diagrams on pages 411 to 425 intriguing; those who would like algebra instead of geometry will have the benefit of a technical appendix on 'The Value of Invested Capital' by D. G. Champenowne and R. F. Khan. It is doubtful, however, whether an Honours Economics student in India will benefit either by the geometry or algebra in the book. Both will probably be beyond him.

Almost certainly this book is not suited for the Indian student even at its reasonable price of 15 shillings. Can it be that Joan Robinson is ceasing to have that power of concrete thought which she displayed in 'The Economics of Imperfect Competition' which brought her fame? Some Indian observers were disappointed when she visited India two years ago. It is likely that this book will confirm their fears that the attractive character of her exposition and her original contribution to economic literature reside now in the past.

ECONOMIC GEOGRAPHY

The USSR and Eastern Europe: The Economist Intelligence Unit and the Cartographic Department of Clarendon Press Oxford: Oxford University: 12s. net.

The Regional Economic Atlas of the USSR and Eastern Europe just published is a momentous piece of compression of a grand range of facts in statistical and cartographic form. In a matter of 103 pages there is to be found basic information on practically every aspect of the geography, productive capacity and output in most important sections of the economic life of the USSR and the satellite continents. Apparently maps have been prepared by the Clarendon Press; they could not have taken the present illuminating economic form without the assistance to the Economist's Intelligence Unit, which appears to have provided a great mass of detail on almost every subject.

This is an essential reference book for any student of Eastern Europe and in particular the USSR. It shows among other things the tremendous potential strength of the USSR and the relatively small development that has taken place east of the Urals. It is interesting to see whether the passion that Russia shows for development in under-developed areas will extend to many of her own backward areas. At the present time, the record is not exceptionally bright.

A DELHI DIARY

THE excitement of last week carried over the weekend; if anything, it found its peak last Monday, though the rate of rise of interest was declining—what a contradictory friend described as a Diminishing Crescendo! Mr. Morarji Desai was here on Saturday; the Maharashtrian leaders came on Sunday. On Monday everything was appropriately in animated suspense. It was known that the Cabinet would meet at 10 a.m. and it was hoped that a bilingual Bombay would be approved by the Lok Sabha before noon. As in all great matters there was the inevitable hitch; further consultations had to take place; in the evening the matter was placed before the Congress Parliamentary Party. The only dissident vote in the ranks of the Congress was that of Mr. N. V. Gadgil, who is now cultivating the art of saying 'Nyet' to perfection. When the Congress Parliamentary Party meeting dispersed, Pressmen went hastily to see Mr. C. D. Deshmukh. He had little to say beyond 'I am content'; irrelevantly this reminded me of Cogito, Ergo Sum. Many hold the view that, in spite of his many intemperate speeches on the Bombay issue, Mr. Deshmukh has rendered real service to the country by making the transition to the bilingual formula easy. I would argue, too, on his side that it might have come earlier had the Central Government's decision not been announced so early. In any case all is well that ends well.

UNITED WE STAND

Few people could have failed to be moved by the final scene in the Lok Sabha on Tuesday when Pandit Pant proposed the amendment to incorporate the decision. The House was absolutely full and it was noticed that the M.P.C.C. chief, Mr. T. R. Deogirikar, was in the gallery. The Home Minister was in excellent form. He paid a just tribute to the corporate mind of Parliament saying that "the members had risen above narrow considerations and demonstrated their unique capacity to handle problems in a national way". He was quick in repartee, and had two splendid thrusts at dissenting members of the Communist Party. When he said that it would be unpatriotic to sabotage a decision taken unanimously by Parliament and there was a "No, No" from the Communists, the Home Minister was quick with a damaging shot: "the words 'sabotage' and 'unanimity' have provoked". Again when a Communist Member demanded a division, Pandit Pant replied "I know you are cut up because this decision stands for unity, and you stand for division—always division".

Thus there ended one of the most stirring episodes in Indian Parliamentary history. I expect there are still difficulties to be overcome, and the trouble in Ahmedabad has shown that not all of them will be in Maharashtra. Nevertheless, here was a right decision arrived at democratically and above a mere Executive decree. It is things such as these which show the world at large—as well as doubting Thomases within—that democracy in India is real.

AND SO TO LONDON

With peace restored on the home front, the Prime Minister can now address himself to his perpetual task of helping peace abroad. It is generally agreed in Delhi that the Prime Minister's fine speech on the Suez Canal on Wednesday reflected the feeling of every person of goodwill and responsibility in the country.

It was right that he asserted the sovereignty of Egypt and rebuked Britain and France for their "warlike gestures". There were cheers when he said "these gestures do not belong to this age and fail to take account of Asia today". The point is not merely that they are warlike but that they are irrelevant. Neither England nor France can possibly entertain the thought of a global war. A limited war in the Suez Canal is something unthinkable.

Opinion in Delhi has naturally been taken aback very considerably by the "jingoist tone" of Sir Anthony Eden's broadcast this week. Looked at East of Suez it is a trifle ridiculous. I must confess I have also not been able to understand the complicated argument against nationalisation of assets impressed with an international character.

What is an international character? Would this argument apply, for example, to the British steel industry? Steel is in short supply in the whole world, as we in India know to our cost. It seems to me, therefore, that the great steel producing countries should not be allowed to treat steel exclusively as a national issue. It is impressed with an international character. If it should happen that the nationalisation of British steel should affect British steel exports, would we in India have the right to object to British steel nationalisation? Again, if American capital, for example, had a large share in a British steel company, would it be arguable that the American owners would need to be consulted before nationalisation? Surely the issue in this case has nothing to do with the international character of the assets since many assets have, to a greater or less extent, an international character. The whole issue is concerned with the unilateral denunciation of an agreement. Alas! After Mossadeq it has now been established that governments have this right. What then is the British argument? I wish I knew!

There is general sympathy with the United Kingdom; there are many people including the Prime Minister (Harrow and Cambridge enter, they tell me, into the blood), who cannot help feeling deep friendship for the British people. This is in part the struggle of a great nation to maintain its standard of life. Its greatness is not in question, but the tragedy is that thought in this mid-20th century makes it impossible for a country without natural resources to maintain a rising standard of life when it is overtaken by an urge to replace hard work by leisure and the impediments of the Welfare State. Productivity and restricted wages seem to be Britain's remedy for her economic situation, but politically she seems in no position to enforce discipline of this kind on her trade union movement. This dilemma will be exacerbated by the loss of control over the Suez Canal, but it is not essentially made by it. Is it possible that the loss of Suez Canal will bring home to the United Kingdom the point that she can operate as a great power only when she puts her home in order? Is not her Navy and Air Force now a drag on an overwrought economy? Should not British defence expenditure be drastically reduced and manpower made available for industrial use? If war is not possible, cannot a stricken nation pursue more vigorously the arts of peace? Cannot Britain show more vigour in exporting to India, for example? The current impression in Delhi is that she could do more.

ARGUS.

Special Articles

COUNTING THE UNEMPLOYED

THE National Sample Survey has recently released the results of a preliminary survey of urban unemployment conducted in the month of September, 1953. The time-lag between the actual conducting of the survey and the publication of the findings is indeed deplorably long, but the results are full of interest though not of a very high degree of accuracy. The object of this article is to focus attention on the most interesting features of this poll.

A number of stray attempts have been made in the past to assess the magnitude of unemployment as well as under-employment in specified areas of the Indian Union, but the survey under review is the first attempt on a nation-wide scale to get at the heart of the problem. Though it was in the nature of a pilot study, it covered all the towns in the country having a population of 50,000 and above, excluding the four principal towns of Calcutta, Bombay, Madras and Delhi. The chief finding of the survey is that in the urban areas (not including the four leading cities) 2.59 per cent of the population was unemployed, excluding the under-employed. Those seeking employment for the first time constituted 1.16 per cent of the population as against 1.43 per cent who were out of work but had some gainful occupation before. In terms of the total labour force, the unemployed were 7.44 per cent.

For designing the sample, the six population zones of census, 1951 were re-grouped into four population areas. The population under reference was split up into eight strata by,

(a) classifying the towns into two class-sizes, one having a population between 50,000 and 1,00,000 and the other not less than 1,00,000 and,

(b) sub-dividing each class-size into four groups according to the population area to which it belonged.

Sampling in each stratum was done in three stages; first a few towns were selected from each stratum, then the census blocks were sampled in each selected town, and then, finally, a set of households were picked up at random from each block. The total number of households sampled was 4,446 consisting of 20,405 members, and the information was recorded by the staff of the NSS by personal visits to the families.

The concept of unemployment was borrowed from the I.L.O. A person was considered unemployed if (i) he was without a job for the whole of the reference period of one month, (ii) was seeking a job, and (iii) was in a position to accept a job if he was offered one. The reference period, instead of being a point of time, was a duration of 30 days before the date of inquiry. In the case of the Calcutta Survey, conducted during the same days, the reference period was the date of inquiry; any person found without employment but seeking employment on the date of survey was deemed unemployed in that survey. This variance between the two definitions tended comparatively to depress the results of the All-India survey.

That 2.59 per cent of the population covered by the survey was unemployed and 27.0 per cent of them got registered with the employment exchanges were the two basic conclusions of the poll. Assuming that the proportion of the registered unemployed to the total unemployed remained stable over a period of time, the number of the total persons without work

could be forecast at any time by referring to the number of registrations at the employment exchanges. Since the number of those registered with the exchanges in September 1953 was 512,000 it is estimated that the total number of the unemployed in that month was 1.89 million.

An almost similar estimate has been made in another way. On the assumption that the rate of unemployment in all towns with a population of less than 50,000 persons is the same as that of the population under study and the incidence of unemployment in the four principal cities is at the same level as in Calcutta (7.10 per cent), it is computed that the total number of the unemployed in the urban areas was 2.24 millions, consisting of 0.75 million in the four big cities and 1.49 million in the other urban areas. This estimate seems to be a little on the higher side as the incidence of unemployment in Calcutta in September 1953 was unusually high due to the influx of refugees from East Pakistan. Neither Madras nor Bombay had any such influx, though Delhi was affected because of the migrants from West Pakistan.

In addition to assessing the magnitude of unemployment, the survey had also set out to measure the intensity of employment so as to estimate the area of under-employment. The number of those who were idle for three quarters of the time represented 3.17 per cent of the total population; such persons may be deemed as unemployed. Severe under-employment and total unemployment, therefore, constituted 5.76 per cent of the population. As against an estimate of 2.24 millions unemployed, the under-employed are estimated to be 2.74 millions on the assumption that the incidence of under-employment was uniform throughout the urban area, including the big cities. This is a highly subjective estimate, and is liable to a significant margin of error.

This survey has also made an attempt to analyse the behaviour of the unemployed towards the employment exchanges run by the Ministry of Labour. Not more than 27 per cent of the unemployed had cared to get themselves registered with the employment exchanges. Of those who had failed to get registered, the majority (38 per cent) showed absolute ignorance about the existence of the exchanges. Nearly 11 per cent did not report at the exchanges because of lack of faith in them. Remoteness, indifference and ineligibility were comparatively less important reasons for not visiting (or availing of) the exchanges. It is worth noting that 40 per cent of the non-registered and unemployed graduates had no faith in the employment exchanges.

How reliable are the findings of this survey? The NSS did not expect estimates of "a high precision" because it was in the nature of a "try-out". Moreover, this survey covered a field where quantitative data for verification was conspicuous by its absence. In the table on the next page are set out the results of the two sub-samples in order to have an idea of the order of precision.

Great interest attaches to the comprehensive all-India survey on unemployment which NSS completed during the period August-October 1955. It is sincerely to be hoped that the interval between the conducting of the survey and the publication of the findings will be reduced significantly.

PERCENTAGE DISTRIBUTION OF POPULATION BY INDUSTRIAL STATUS FOR TWO SUB-SAMPLES

Industrial Status	Sub-Sample	Sub-Sample	Combined Sub-Sample Estimates
	2	3	4
1			
No. of sample towns	12	11	23
No. of sample blocks	110	102	212
No. of sample households	2,394	2,052	4,446
No. of persons in the sample	10,812	9,593	20,405
(All figures below in percentage terms)			
Gainfully occupied persons:			
1. Employers	0.36	0.56	0.47
2. Employees	16.22	18.54	17.59
3. Own-account Workers	12.57	10.05	11.40
4. Unpaid household labour	3.34	1.92	2.74
(i) Sub-total	32.49	31.07	32.20
Unemployed:			
5. For the first time	0.98	1.48	1.16
6. Not for the first time	1.19	1.76	1.43
(ii) Sub-total	2.17	3.24	2.59
7. Family members engaged in domestic work only	22.95	21.71	22.28
8. Rentiers & pensioners	0.65	0.67	0.61
9. Beggars and persons living on charities and remittances	0.71	1.02	0.82
10. Old and infirm persons, children and students ..	40.68	41.55	40.95
(iii) Sub-total	64.99	64.95	64.66
11. Not recorded	0.35	0.74	0.55
12. TOTAL	100.00	100.00	100.00

LIFE INSURANCE AND PROVIDENT FUND PROBLEMS

THE gross inadequacy of life insurance facilities in this country and the unquestionable need for them are the two main conclusions that emerge from an assiduous study conducted by the Indian Institute of Economics, Hyderabad. This study was confined to the low income group employees in shops and establishments in Hyderabad-Secunderabad city area. While pointing out the gross inadequacy of life insurance, the Survey also analyses the reasons as to why insurance has not been popular. It is indeed a sad fact that out of the 4302 samples examined, as many as 1927 (44.70 per cent) belong to the low income range of Rs. 1-54 per month) which is below the minimum remuneration (per month) which is below the minimum remuneration to labour in this country. At the outset, it may be useful to set out the scope and the results of this inquiry. Briefly they are:

(a) The inquiry, which was confined to income groups up to Rs. 500 per month, covered 4,302 samples out of 19,439 employees in shops and establishments as per the record of the Labour Department; thus, the Survey covered about 22.13 per cent of the employees.

(b) Out of the 4,302 samples covered by the Survey, only 407 are insured and have 482 policies—all endowment policies.

(c) The face value of 482 insurance policies is Rs. 12.51 lakhs with a cash value of Rs. 1.71 lakhs. Advances against policies account for Rs. 7,231. If all the 4,302 samples had been insured at the proportions

obtaining in this inquiry, the face value of policies would have been Rs. 132.24 lakhs.

(d) The Survey reveals, that as the household increases in inmates, the per capita protection declines—from Rs. 3,116.67 (single-member household) to Rs. 321.62 (9-12 size group).

(e) Only 64 out of 407 insured samples have insurance protection beyond the age of 40.

(f) The total monthly premium is Rs. 5,477 or 8.46 per cent of the income and the total annual premiums work out to 5.25 per cent of the face value of the policies.

(g) There are 89 samples with lapsed policies the face value being Rs. 1.58 lakhs. These included 16 cases where the policies are capable of renewal but have not been renewed due to inability to pay arrears of premiums.

Referring to some of the details of the data collected it is found that only 407 out of 4,302 samples have life insurance policies with a total face value of Rs. 12,51,163. It is revealed that in all the insured cases it was the insurance agent that took the initiative, approached the parties and took out policies. Life insurance of females is conspicuous by its absence. Among the 407 insured samples, there are in all 482 policies, all of them endowments. The contract period

ranges from 10 years to 35 years, the most popular being 20-25 years.

Various causes have been assigned for not insuring but the dominant ones stand in the following order.

TABLE I

	Cases
1. Ignorance of Life Insurance	578
2. No saving margin	520
3. Literature in unknown language	349
4. Laborious process in payment of premiums	321
5. Too young by age	317
6. Inability of insurance agents to explain	291
7. Fear of lapse	245
8. Laborious process in security loans	229
9. No necessity: no dependents	213
10. Laborious process in settlement of claims	136
11. Fear of medical examination	119
12. Laborious process in taking out policies	118
13. Objection by wives	113
14. No credit facilities for punctual payment of premiums	112
15. Disbelief in long-term contracts	87
16. Fears of liquidation of the insurance company	74
17. Medically unfit	34
18. Religious objections	27
19. More reliable avenues of investment	12
TOTAL	3,895

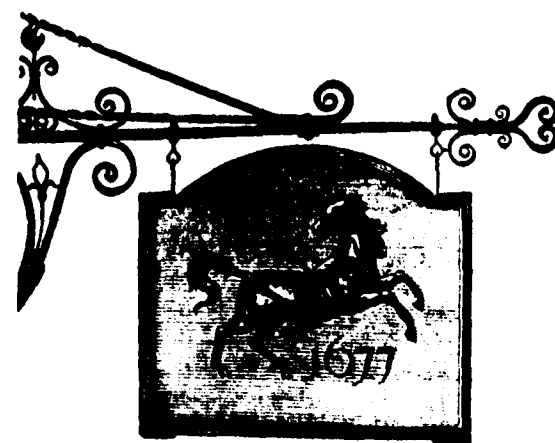
The average face value of insurance protection varies from income group to income group. In the income range Rs. 1-54 the average face value is Rs. 1,166, in the Rs. 55-100 range it is Rs. 1,438, in the Rs. 101-150 range Rs. 2,433, in the Rs. 151-200 range Rs. 3,182, in the Rs. 201-250 range Rs. 4,669, in the Rs. 251-300 range Rs. 7,348 and in the Rs. 301-500 range Rs. 6,026; the overall average is Rs. 3,074. Thus, as the income range rises, insurance protection also rises, except in the Rs. 301-500 group. The Survey explains this exception by pointing out that provident fund contributions are particularly heavy in this group.

The necessity for life insurance is better understood among employees of insurance companies than among other employees. Assessing the contribution to life insurance and provident funds, the report points out 156 samples (127 in commercial offices) as contributors to both. Their general economic position is given in Table II below and comparison is made of the average for these 156, and for all the 4,302 samples.

TABLE II

Item	Average for 4302 samples (Rs.)	Average for 156 Samples having both insurances and Provident funds (Rs.)
Income	71.13	191.15
Assets	777.95	3,609.79
Liabilities	163.24	557.18
Insurance Protection	290.83	3,750.98
Provident Fund Credits	65.60	979.79

The plea for nationalisation of life insurance in this report has come somewhat belatedly; in fact, it succeeds the act of nationalisation. Therefore, the only policy conclusion is the one recommending nationalisation of provident fund. Unfortunately this conclusion does not exactly follow either from the statistics or from the economics elaborated in the report. From the figures mentioned in the report about average monthly income per household, i.e. Rs. 71 and average strength of household which is given as 3.55, the average monthly per capita income works out to be Rs. 18. With this as per capita income, it is doubtful if any saving margin is possible. In Table I, mentioned above, only 520 are shown as having no saving margin which means that 3,780 out of 4,302 (or about 82 per cent) of the samples investigated had a saving margin. In view of the fact that the savings have been largely confined to the lower income brackets, this conclusion is too rosy to be true. It obviously flies in the face of common observation. The merest creation of the institutional facility to save without creating the ability to save is not likely to deliver the goods—particularly at a time when the cost of living and agricultural prices are rising and inflation seems to be round the corner. The economics of nationalising provident fund also fail to carry conviction. The report while mentioning the revenue possibilities of provident fund gives no idea of the likely charges against those earnings. While one does not quarrel with the fact that there is an urgent need for an appropriate institutional framework for promoting savings in this country, it is not easy to swallow the conclusion that nationalisation alone can do the trick.



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Economic Report from the U. S.

EFFECTS OF THE STEEL STRIKE

(BY GUY SIMS FITCH)

WASHINGTON, August 7.—Current economic trends in the United States indicate that this week's increase in steel prices will not upset the basic equilibrium of American economy. The increase, announced by the US Steel Corporation, the nation's largest producer, amounts to an average of \$8.50 a ton, and is likely to be adopted by other steel companies. This price increase falls short of most forecasts, which had predicted a rise of \$10 a ton or more in view of the generous wage rise included in the steel strike settlement. Actual price rise comes to 6.5 per cent, against an initial increase in labour costs of 7.6 per cent.

The steel industry's willingness to absorb part of its higher employment costs will help steel-consuming industries hold the line against large and fairly general price rises. This willingness springs in part from the nature of the long-term, three-year contract signed with the steelworkers' union. Some steel executives had been urging a price boost that would enable the industry to finance its huge \$3,500 million, three-year expansion programme largely out of retained earnings. But many of them now believe that the prospect of stable operating conditions will attract no new risk capital than would otherwise have been the case.

There is no doubt, of course, that the steel price increase will touch off some other price rises. It will, for instance, increase by some \$18.50 the cost of steel that goes into a \$2,500 automobile. For a \$2,400 tractor, the cost would rise about \$8; for a \$300 refrigerator, about \$1.21; for a \$225 stove, about \$1.17; for a \$160 washing machine, about 6 cents. Price increases such as these would be moderate enough in terms of total cost of an item and hardly constitute a really serious restraining force on consumer buying, even if passed on to the public. But in many cases the price increases are not likely to be passed on—at least not in full—if only because of the highly competitive nature of the present consumer market.

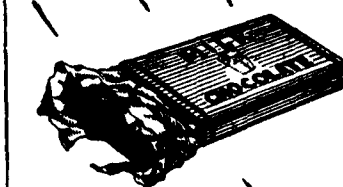
The competitive character is an outgrowth of the steady, high output of goods which has provided a significant check on inflationary forces even though national purchasing power has continued to rise. This year, for example, the personal income of Americans has soared, purchasing power has been running some 6 per cent ahead of last year, and actual consumer spending is up nearly as much. At the same time, the cost of living has shown a good measure of stability. It has advanced somewhat in recent months. But the rise has come after three years of virtually no change, and it amounts to a rate of only 2 per cent a year. Industrial productivity, meanwhile, has been rising 3 per cent a year, and has helped offset the effects of wage increases on production costs. This hardly adds up to a serious inflationary situation. In any discussion of inflation, of course, the question of definition looms large. Some economists are prepared to label any price increase, however mild and whatever the surrounding circumstances, as inflationary.

But as pointed out by 'Fortune' magazine, one of the most astute and influential business journals in the country, one of the basic conditions of classical inflation—an excessive money supply—is notably absent from the American scene. Over the last four years,

'Fortune' notes, the supply of money has increased by about 10 per cent, but it has increased less than production, which has risen 14 per cent. What the United States seems to be facing for the present is a slowly rising cost level, with moderate price increases accompanied by growing purchasing power and tempered by a high level of production.



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The Business World

IMPACT OF SUEZ COUP ON COTTON

By

CROESUS

IN the last few days quite a stir has been created by the Suez episode and the near-war preparations that are being made by the concerned countries have imparted to it a serious turn. In the event, countries which have trade relations with Egypt have naturally had to bestir themselves to assess the possible consequences of the Suez Canal nationalisation.

It is well known that the quality of cotton that Egypt produces is the envy of all cotton-producing and cotton-consuming countries in the world. While the Egyptian type cotton is grown elsewhere also, namely, in Sudan, Uganda and Peru (S. America) it is only the Egyptian-grown cotton that is eagerly sought after by all the major consuming countries in the world. This is because this cotton lends itself better than any other cotton to the manufacture of fine and superfine textiles. Until recently, India was the largest buyer of Egyptian cotton, a place which is being keenly contested lately by France and Czechoslovakia. The relative decline in the offtake of Egyptian cotton is also reflected in the decrease in India's exports of fine and superfine goods for the greater part of the 1954-55 season.

While India need not worry about her requirements of Egyptian cotton, thanks to the cordial relations that exist between the two countries—further cemented and strengthened since by the Brioni Conference—the other countries which are directly involved in the Suez whirlpool, namely, the UK, France and the USA, would not get their usual quotas of Egyptian cotton, at any rate directly from Egypt. Two significant points emerge from this. In the first place, to the extent of the decline in the offtake of these countries, the export potential of Egyptian cotton would be increased, so that other countries could enlarge their commitments and go in for more Egyptian cotton. Secondly, those countries which have started evincing interest in Egyptian cotton of late, as for instance, the Communist satellites, might be encouraged to increase their offtake and to profit by re-exports. In this context, it will be interesting to compare the trend of Egyptian cotton exports for the last two seasons. Incidentally, exports of Egyptian cotton this season have shown a rise of 25 per cent as compared to the last season.

The following figures represent the offtake of Egyptian cotton by different countries in the first ten months of the 1954-55 and 1955-56 cotton seasons:

		1954-55	1955-56
		(In bales of 720 lbs.)	
Czechoslovakia	..	31,434	124,021
India	..	73,894	100,985
France	..	80,862	87,721
Japan	..	39,322	61,865
Italy	..	44,025	59,972
China	..	28,042	55,432
Germany	..	52,129	37,812
Switzerland	..	25,983	35,946
Russia	..	36,693	29,667
Others	..	189,444	225,333
		601,828	818,804

It is seen from the foregoing table that Russia and Germany are the only two countries which accounted

for a decline in their offtake of Egyptian cotton over the two seasons (first ten months). In view of the support that Russia has extended—overtly and covertly—to Egypt, it is reasonable to presume that the Russian offtake of Egyptian cotton would be considerably increased in the months to come. It is true that Russian cotton production, as can be gauged from available statistics (however speculative these may be in character), has increased phenomenally, what with her per-acre yield being well over a bale. But this does not mean that Russia has no use for Egyptian cotton, which, as already noted, is in a class by itself. Exports of Egyptian cotton, which have increased by as much as 400,000 bales for the full season 1955-56 as compared to the previous season, reveal a significant development, in that, out of the total exports of 1.2 million bales, as much as 450,000 bales have been shipped to the Communist bloc. It is quite on the cards, therefore, that the usual consumers of Egyptian cotton (other than the UK, the USA and France) as well as the new-comers would be able to get a relatively larger volume of this cotton than hitherto, a factor which might well change the whole pattern of textile production in the countries concerned. It may be noted here that, as it is, the UK's consumption of Egyptian cotton has declined from 38,336 to 28,803 bales, while that of the US also has fallen from 40,454 bales to 30,562 bales as between the first ten months of 1954-55 and 1955-56. In the case of America, which is burdened with her own incurable surplus, perhaps the less of foreign cotton import, the better it will be. But it cannot be so with regard to the UK, which can ill afford to do without Egyptian cotton, especially so when she is hard put to it to meet the keen competition from Japan, Hong Kong, and India in the textile markets of the world about which she is never tired of complaining.

As far as India is concerned, according to a trade agreement between this country and Egypt signed in Cairo on July 8, 1953, India and Egypt have agreed to grant each other complete most-favoured nation treatment. While India would get raw cotton, cotton yarn, Egyptian cigarettes and dry dates, among other things, she would ship to Egypt, among others, tea, groundnuts, groundnut oil, cotton piecegoods, linoleum, cotton balling hoops, and cotton hosiery. Everything has been going on smoothly up till now, but Britain's decision to freeze Egypt's sterling assets in England introduces a new and unexpectedly complicating factor. For, according to the agreement as it stands now, 60 per cent of the payments for exports from Egypt to India will have to be made in sterling, the remaining 40 per cent being payable in rupees which would be utilised by Egypt only for financing purchases of goods from India. The sterling part of the payment for exports from Egypt to India is, of course, eligible for the facilities of the import entitlement account procedure in accordance with the regulations prevailing in Egypt. It is not clear as to how this position has been affected or altered by the latest developments. There are reports, however, that, in respect of a few deals with Egypt, the shippers there have demanded of Indian interests payment in currency other than sterling or franc. If so, the whole basis of the Agreement needs to be looked into again. In any case, if free flow of trade between India and Egypt is to continue uninterrupted, there seems to be an urgent need for clarification of the position.

POWER AND POLITICS

By

CROESUS

ADDRESSING the shareholders of the Bombay Suburban Electric Supply Ltd., Chairman (Mr. K. G.) Milne thought it fit to warn the authorities in the Bombay State of the possible recurrence of the danger of a power shortage, unless arrangements were set in train immediately for augmenting capacity either at Bhira or at Trombay, entirely independent of Koyna power. He was, of course, saying this—let me hasten to add—not because he feared any adverse effect on power supply to Bombay, consequent on the formation of unilingual States (which contingency, too, has fortunately disappeared now) but because he did not anticipate Koyna power to be ready even by 1961-62, despite all official assurances to the contrary. Some time ago, I had occasion to observe, rather caustically, that, if there was any political sagacity still left in the ranks of Maharashtra leadership, the latter would, even at this late stage, opt for a bilingual State. The fact that, at long last, a bilingual Bombay has been decided upon proves that there is enough sagacity, and also sanity, among Maharashtrians, thanks to the lead, in particular, of Sir Chintaman Deshmukh, who, according to me, is the tallest Maharashtrian politician alive today. His stature has risen so much among Maharashtrians and non-Maharashtrians alike that I am prepared to wager that he will not be allowed to retire from politics, however seriously inclined he may personally be that way. I see I have digressed, but the Editor, I feel sure, would not mind this lapse on the part of a columnist who is, after all, a Bombayite.

To revert to the power situation in Bombay. Mr. Milne observed that the position has been that the Bombay Suburban's capacity for taking on new loads is still ahead of releases by the authorities. So far so good, but the splendid response to the recent press note issued by the Government of Bombay inviting applications for industrial loads to be sanctioned after the Trombay Thermal station is commenced—about 400 applications for loads aggregating some 25,000 KW!—shows that the Power Shortage Board have been unshockingly overcautious in releasing frozen potential power. This explains the frequent complaints, for the last one or two years, that many industries in the Bombay region have been deprived of millions of units of power. Such is really a very unsatisfactory state of affairs and requires to be remedied, and with redoubled vigour now, by reason of the enormously increased demand that the bigger bilingual Bombay decision will give rise to. True, the first of the 50 MW thermal set at Trombay would be ready for being commissioned by the end of this year and the second some 6 to 9 months thereafter. Even so, at the rate of growth in demand for power supply, present and potential, this region would again be facing the risk of power shortage in, say, another three years. In view of this, and more so because of the latest decision regarding a bilingual Bombay State, it is to be hoped that the authorities would seriously take note of the Bombay Suburban Chief's suggestion to augment plant capacity either at Bhira or at Trombay. Perhaps it would be more advantageous, more economical and also possible of completion sooner, to have one or two more 50 MW thermal plants at Trombay. It is known that, from the beginning, work at Trombay has proceeded on the assumption that, eventually, it would have to be a four 50 MW-units plant, so as to get the most efficient and economic service out of the scheme. There is no in-

superable difficulty that one can foresee why an early decision on this question cannot be taken. An early decision would not only result in effectively warding off all danger of power shortage in the foreseeable future but perhaps make for some economy as well to those erecting the Trombay Thermal Power Station.

There is one other reason why the thermal capacity at Trombay needs to be increased soon. Mr. Milne has pointed out—and he ought to know what he says—that, from a purely economic angle, the inclusion of the 54 MW thermal station at Chola in the inter-connected system has been something of a weight and that this would be relieved, to some extent, "only when the greatly more efficient Tata Trombay Plant comes into full commission, leaving Chola merely as a stand-by or peaking station". Presently, the inclusion of Chola in the inter-connected system has meant the rise in the thermal surcharge to users from 15 to 24½ per cent from last January.

Talking of rates, I cannot but express my appreciation, as a consumer, of the decision—and this despite the increased cost of electricity of the Company—of the Bombay Suburban management to effect a substantial downward revision in the Company's tariff rates to residential consumers for lights and fans and other domestic purposes. The decision is verily an oasis surrounded on all sides by sandy desert of rising living costs. It is the result of pure and simple Free Enterprise at its best at work. Surely, the public cannot be blamed for choosing to invest in shares of such undertakings which are utilities not only in name but in spirit as well. One would expect any Government, more so the Government of a so-called socialist structure of society, to encourage this trend, but, strangely enough, this is not happening. On the contrary, the investor in electricity undertakings is penalised which, to quote Mr. Milne, is a peculiarly "ingrateful phenomenon". This is because, although an electric supply company like the Bombay Suburban may earn more than sufficient to pay, say, a 7 per cent dividend, it is prevented from doing so (unless, as, in this case, it has a dividend equalisation reserve to draw upon), thanks to the hamstringing provision under the Electricity (Supply) Act restricting the standard of permissible return at 5 per cent of the capital base (that is, capital employed in business, broadly speaking). Curious—or is it curiousest?—as it may seem, the more fresh money is brought into equity capital of such an electricity concern, the nearer to unity will be the ratio of the capital base to the paid-up share capital and, to this extent, it is handicapped more than other companies which may not choose to raise fresh equity capital and expand for whatever reason it may be. In other words, those that genuinely help capital formation, those that show efficiency and those that render useful service to the community are singled out, albeit unwittingly, to be penalised. One expected this inexcusable, if not unpardonable, hardship to be mitigated at least to some extent with the passing of certain amendments proposed to the Electricity (Supply) Act, but, for some unknown sins that investors in electricity undertakings must have committed (maybe in their past births, for, in the Secular State of ours today, they may not be penalised for such sins at any rate!) it is always this bill to pass for which Parliament seems to have no time.

BUSINESS NOTES

STATE TRADING

THE FACT that the Federation of Indian Chambers of Commerce and Industry has felt constrained to take the unusual course of calling a special conference of the interests concerned to consider the Government's policy on State trading is undoubtedly an important development. Nobody has anything like reasonably precise knowledge of its functions. The Corporation does not owe its existence to a statute of Parliament and the scope of its activities has not been discussed and finally decided upon in consultation with all the classes interested—producers, traders and consumers. The manner in which the Corporation is entering various fields of trade has created a genuine feeling of uncertainty in the minds of trade circles. There is no knowing which branch of trade would come in for its participation and, therefore, for proportionate elimination of the established channels of private trade. It is now common knowledge that the Corporation has made up its mind to enter the trade for import and internal distribution of cement as well as the trade in the export of iron and manganese ores.

The memorandum of the Indian Merchants Chamber, Bombay, to the Ministry of Commerce and Industry on this subject makes two important points. The cement industry and trade in the country has prepared a carefully worked out plan for distribution which would conform to the Government's policy on supply of cement and it has urged its acceptance for the sake of preventing disruption of the existing channels of trade. This is certainly a vital issue because handing over distribution to the off chance of efficient sales service under the auspices of the Corporation is to take a grave risk. The Ministry's decision, therefore, needs reconsideration. In respect of the intention of the State Trading Corporation to participate in the export of manganese ores, the memorandum draws pointed attention to the fact that some of the manganese mines or exporters have engaged in long-period contracts with importers abroad extending for three years or so. Dislocation in the distributive agency might result in non-fulfilment of the contracts. Here vital considerations arise. Sanctity of contracts must be respected and it must be remembered that it is not difficult for our overseas customers to change over to other sources of supply. The new policy for the current half year to carve out about one-third of the share of exports from the volume hitherto in the hands of private trade for the Corporation is a make-shift. There was no need for the infant Corporation, totally unfamiliar with the intricacies of the manganese ore export trade, to give high priority to this important earner of dollars.

NATIONALISATION OR MIXED ECONOMY?

SPEAKING AT the Pimpri Penicillin factory the other day, Prime Minister Nehru said that such basic industries as would help humanity should either be State-owned or State-controlled. Accordingly, he opined that health services in the country should be nationalised. However, the Prime Minister hastened to add that this did not mean shutting out of private enterprise. "We want every kind of energy, whether in private or in public sector, to be employed for the good of the nation", declared Mr. Nehru. This is not the first time that our Prime Minister has interpreted nationalisation thus. As often as not, he seems to mean "mixed economy" whenever he talks of nationalisation. Perhaps what Mr. Nehru really means is that the State should control a given line, such as drugs and medicines, for instance, so as to ensure that there is no deterioration in quality or falling off in standards of purity as would prove detrimental to human life and, therefore, take to this as much as practicable.

Be that as it may, however unexceptionable the Prime Minister's reasoning may sound, the question to be considered before proceeding seriously to translate it into action is whether it is at all practicable at this stage. The conditions of our public health today are still characterised by very low health standards and, therefore, a very high mortality rate. As such, the most urgent need of the country is to build more hospitals, train more doctors and manufacture as many essential drugs as possible in the country itself, before embarking on so ambitious and far-reaching a programme as the nationalising of the country's health services. The paucity of trained personnel, on the one hand, and the strain it will impose on the Exchequer, on the other, also stand in the way of such a programme. In England, when health services were nationalised in the year 1948, they found the cost mounted out of all proportions, and the Conservatives, when they came to power, were obliged to apply the brake first to this process. If this were to be the condition even in an advanced country such as the UK, it should not be difficult to visualise what the result would be in India of nationalisation of all health services. As the Prime Minister himself observed, "every kind of energy from every sector—public or private—requires to be utilised for achieving the maximum good of the nation". This means that, rather than rush to nationalise, Government should provide all incentives to make free enterprise to give of its best. At the same time, if, as seems to be the case, it is found necessary, Government should also prescribe and enforce the highest pharmacopoeial standards so as to ensure the purity of all Indian drugs and medicines. As in all walks of life, in this field also, there are not wanting unscrupulous and unsocial elements who would not feel the slightest qualm even in passing off chalk for quinine!

MORE SHIPS AND GREATER TONNAGE NEEDED

IN COMPARISON with the progress of shipbuilding in the major maritime countries of the world, the growth of the national merchant marine in this country has been rather tardy and, as such, strikes a discordant note in the symphony of economic development envisaged under the second Five-Year Plan now being implemented. Thus, whereas world's shipyards reported 1,534 ships aggregating 7,223,004 gross tons under construction on June 30, 1956, India's share was only 14 vessels and 28,087 tons, respectively! Even out of these fourteen vessels under construction in India, five are motor vessels of between only 4,500 and 6,000 g.r.t. each, and these are being built for the Indian shipping companies in the Hindustan Shipbuilding Yard at Visakhapatnam. The tonnage of all the remaining nine vessels together aggregated but 2,091 tons!

The Scindia Shipping Co. has six vessels of uniform size under construction in Germany. Of these, one has already been launched 'Jaladhan', of 5,700 g.r.t. Altogether there are nine vessels under construction in German Yards aggregating 60,500 g.r.t. Besides, the Great Eastern Shipping Company is also having a ship of 7,500 g.r.t. built in Japan.

According to the latest shipbuilding returns, there have been two notable developments in respect of the UK's shipbuilding industry. In the first place, while maintaining a substantial lead over other countries as regards the volume of tonnage under construction, its share in the total world output has been steadily declining from 41 per cent in 1951 to 34 per cent in the middle of 1955. A second notable feature has been the decrease in the tonnage under construction in the UK for registration abroad or for sale, which amounted to only 464,905 tons—the lowest since September, 1946—which compared with the peak figure of 825,745 tons

in September, 1950. The disinclination on the part of overseas countries to entrust their shipbuilding work to the UK, it would appear, is due partly to the relatively higher cost of construction prevailing in the UK Yards and partly also to the considerable time lag between their undertaking construction of a ship and its completion. In the result, it is reported, even some leading shipping companies have been obliged to place orders in Germany and elsewhere.

Presumably arising from this apathetic approach of the UK to undertake shipbuilding activity on a sizeable scale, maritime nations like Japan, Germany, Italy and other European countries are finding themselves increasingly busy. Japan, which has been able successfully to take up the challenge in other fields of industrial activity, has naturally come out with flying colours; on the other hand, the UK has been pushed down in the list of tonnage launched and tonnage commenced. Thus, Japan, which was fourth in the list of countries with the largest tonnage under construction, has moved up to the second place with 1,116,490 g.r.t., as compared to only 536,135 tons a year ago. It is significant to note here that as much as 76 per cent of the total tonnage under construction in Japan is for export.

In the light of the remarkable progress achieved by the European countries—they had to suffer the rigours of World War II, be it noted—both in the number of vessels and their tonnage, the pace of development in India in shipbuilding, even after the implementation of the first Five-Year Plan, is hardly flattering to us. Inasmuch as shipbuilding means a considerable time lag between the blue-print and the actual accomplishment stages, India must immediately set about to remove this lacuna in transport 'vis-a-vis' the Plan. Otherwise, even the modest target set for the second Five-Year Plan might prove difficult of achievement.

BOMBAY SUBURBAN ELECTRIC SUPPLY

THE IMAGINATIVE and forward looking policy which the management of the Bombay Suburban Electric Supply Company has adopted is now bearing its first fruits. Since the Company embarked on its vigorous Six-Year Plan of development for a vast distribution network, it has become possible for it to pass on the benefit resulting from large-scale operations to the consumer. Mr. K. G. Milne, Chairman of the Company, had the happy announcement to make at the Company's recent annual meeting that the tariff rates charged to residential consumers for lights, fans and domestic purposes would be reduced in the immediate future. The rates would then be brought almost to parity with the rates prevailing in Bombay city. This is proof positive of efficient management and the company's solicitude for its consumers. Unlike Bombay city, the vast suburban area served by the company does not enjoy the benefits of compact jurisdiction with a very high concentration of industrial and residential loads which would make lower rates feasible with ease. Undoubtedly, the bold plan of development which is being put through has helped to increase the company's earnings.

But it is ironical that while earnings and finances are in a state of buoyancy, the investor is not getting a his due share of incentive which is necessary at a crucial time when the private sector is called upon to accept heavy developmental obligations. The dividend to the shareholders is being maintained again this year at 7 per cent. In a period of rising earnings the entire dividend should normally come from current revenues, but this simple rule of financial working is denied to the electricity supply industry. It is because any surplus earnings over and above the statutory maximum are to be appropriated in the manner laid down in the statute with the result that the investor is many a time left high and dry in so far as a higher return is

concerned. This has actually happened in the case of the Bombay Suburban Electric. Out of the year's balance of profit above the maximum, Rs. 70,466 had to be appropriated to the Tariff and Dividend Control Reserve and the Consumer's Benefit Reserve. A sum of Rs. 12,000 had to be withdrawn from the Dividend Equalisation Reserve in order to maintain the dividend at 7 per cent. Any lowering of dividend at a time when funds are required from the money market for expansion would have been an unrealistic policy. Mr. Milne, however, is optimistic enough to feel that the law now on the legislative anvil would help electricity supply undertakings to use part of their extra earnings for the purpose of investment incentives.

Some other observations made by the Chairman deserve careful attention. The State Electricity Board seems to take a narrow and partisan view of its functions. It has not found it either necessary or expedient to assist undertakings by arranging loans or supply of materials, but it has shown conspicuous eagerness to bring pressure, amounting to harassment, upon the companies to reduce their tariff rates. This policy has worked great hardship upon the small licensees and their finances have been placed in a "strait-jacket". The Board has conveniently ignored the fact that the licensees have full statutory discretion to formulate their policy on tariff rates so long as they do not violate the provisions of the Sixth Schedule of the Act. As an expert who had a definite share in drafting the original Bill of the present Act, the Chairman avers that it was not at all the intention of the Act that licensees should be "hamstrung" to the extent of being deprived of the right to formulate financial policies within the four corners of the Act.

HEAVY INDUSTRIES RECORD RAPID PROGRESS

THE CLAIM that heavy industries have made rapid progress in India in the past few years was made by the Union Minister for Heavy Industries, Mr. Manubhai M. Shah, last Sunday. Mr. Shah, who was inaugurating the tenth annual general meeting of the Engineering Association of India (Bombay Region), availed himself of the occasion to refer to the dearth of technical personnel in the country and to urge the existing units to help train the necessary personnel. Significantly enough, he assured State help to such units.

Surveying the progress of heavy industries, the Minister said that India would be in a position to manufacture in the next five years most of the requirements in regard to her textile machinery. He envisaged "more or less complete self-sufficiency in road rollers, jute, paper, chemicals and rayon and the production of printing machinery, boilers and other equipment in good quantities. He also anticipated a substantial increase in the availability of cement manufacturing machinery, machinery for sugar mills and machine tools. All this is gratifying, inasmuch as heavy industries are vital for the industrialisation of the country, but it is significant that Mr. Shah studiously eschewed any reference to the fact that what has been achieved so far has been mainly, if not wholly, achieved by private enterprise and also whether it is proposed to appropriate to the State sector any of these lines in future.

RAILWAY ELECTRIFICATION IN GERMANY

TRACTION BY electricity offers by far the smartest and cleanest form of railway travel. It is also the most efficient and economic kind of traction. Accordingly, it is gratifying to find that electrification of more and more railway lines is among the programmes of our Railways that is receiving increasing attention these days. If, however, sufficient progress commensurate with the enthusiasm for this programme has not yet been achieved to date, it is primarily due to paucity of personnel technically well-suited to plan and direct the task. It would, therefore, be interesting, as

well as instructive, to know how the German Federal Railways which are engaged on a similar job have been progressing.

It is known that West Germany is short of coal supplies 'vis-a-vis' her large requirements. She has therefore to buy coal from abroad (the USA, for example) at fairly stiff prices. High prices of coal thus and also operational reasons are forcing German Federal Railways further to resort to electrification of their railroads. It is estimated that electrification reduces coal-consumption by as much as 50 to 60 per cent. Besides, only four types of electric locomotives and one or two types of electric-propelled coaches, it would appear, would suffice to run all services on an economic basis.

The German Federal Railways have already an electrified network of 2136 kilometres in operation. Work is now in progress for the electrification of a further 1180 kilometres and, when this is completed, we are told, it would be possible to run through electric trains from as far as Switzerland, as also from the Austrian border stations.

KOLAR GOLD MINING COMPANIES

IT WAS but inevitable that the question of nationalisation and compensation for acquisition should loom large in the presidential address at the last general annual meeting of the Kolar Gold Mining Companies. The Chairman, Mr. M. A. Srinivasan, has given a concise account of the developments leading to the latest reported move of the Mysore Government to prepare a Draft Bill for the nationalisation of the companies for the approval of the Union Government. It is to be highly deprecated that such a vital and complicated problem should be dragged into the vortex of local politics. If the State Government had well substantiated evidence that the agreement of 1949 was violated by the companies, the straightforward course was to refer the question to arbitration in terms of the agreement as asked for by the companies. To bypass this course and to jump to the decision to nationalise the undertakings was a highly questionable course to adopt, but the State Government has preferred to remain adamant on it. The question of compensation would produce some delicate repercussions in this case and as such it requires careful and cautious handling. The State Government offered to adopt the market value of shares as the basis which was manifestly unsatisfactory in view of the fact that the values had been depressed as a result of the controversy. The Union Government's reported suggestion of fixing compensation at Rs. 1.19 crores is also not acceptable to the companies. Equity as well as expediency require that a fresh via media should be explored to settle the differences with expert aid for valuation. But nothing should be allowed to happen which may affect prejudicially the investor's confidence either here or abroad when reasonable inducements need to be given to them.

MR. MASTER ON NEW INDUSTRIAL POLICY

"NEW INDUSTRIAL POLICY—Responsibilities of the Private Sector" was the topical subject of a lecture at a meeting organised by the Economics Association of the Jai Hind College, Bombay, Mr. M. A. Master, Chairman of the Port Welfare Committee of the National Welfare Board for Seafarers, who was appropriately chosen to address the meeting, began by declaring that a radical change had become evident in Government's policy towards the private sector, especially after Prime Minister Nehru's recent tours of Peoples' China and Russia. He came down rather heavily on the present policy of the Union Government in particular in regard to the role assigned to the private sector under the second Plan. It may be recalled here that the Industrial Policy Statement of 1948, which accepted the policy of mixed economy, was criticised both in academic and in business circles on the score that the

policy was very vague. The Government appreciated the criticism and promised a new industrial policy after watching that policy at work for some time. Accordingly, on April 30, 1956, the Government's new and revised industrial policy was presented to Parliament. But the new policy is not only worse than the first, but it is as unrealistic as the second Five-Year Plan; it gives Government a far wider area, which is clearly beyond the bounds of practicability. This cannot be justified either on the basis of its previous record or on its capacity for satisfactory performance in future, as Mr. Master remarked.

The Avadi ideal of a "socialist pattern of society"—later on, that is, at Amritsar, this was amended to read 'socialist structure of society'—has already led to the Fourth (Constitution) Amendment Bill being passed by Parliament, which makes compensation paid to private enterprise in case of nationalisation "non-justiciable". Government's action in this respect was "utterly undemocratic", described Mr. Master.

Continuing, the speaker said that, after Mr. Nehru's tour of the Soviet Union last year, the Prime Minister appeared to have become firmly convinced of the dominating part that the public sector would have to play in the industrial field. It was after the return of the Prime Minister from this tour, said Mr. Master, that a number of industries were reserved for the public sector.

Indicating the main features of the new industrial policy, Mr. Master said that the policy aimed at (i) the establishment of a socialistic pattern of society, (ii) the steady expansion of the public sector and (iii) a progressive increase in the number of industrial commodities in which trading would be done exclusively by the State.

Continuing, Mr. Master warned industrialists to keep their hands clean and condemned the form of "political bribery" resorted to by a section of the industrialists. He hoped that at least men of integrity at the top in the private sector would give a correct lead to the private sector in this regard. Such a lead is indeed being provided now by the Forum of Free Enterprise.

THE FORT WILLIAM JUTE COMPANY LIMITED

NOTICE

The Annual General Meeting of the Company will be held at the Registered Office of the Company, 14, Netaji Subhas Road, Calcutta, on Thursday the 30th August, 1956, at 3-30 P.M. for the purpose of receiving the Directors' and Auditors' Report, passing the Accounts for the Half-year ended 31st March, 1956, declaring dividends, electing Directors, appointing Auditors and transacting such other ordinary business as may be brought forward.

The Share Transfer Registers of the Company will be closed from 17th August to 30th August, 1956, both days inclusive.

By Order of the Board.

Per Pro BANGUR BROTHERS LTD.

B. D. BANGUR,

(Managing Agents)

CALCUTTA,
July 30, 1956.

N.B.: A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company.

Company Meeting

BOMBAY SUBURBAN ELECTRIC SUPPLY, LIMITED.

Speech of the Chairman, Mr. K. G. Milne

This time last year I told you how the Company's expansion during its 1948-54 development plan was bearing fruit and how our capacity for taking on new loads was ahead of load releases by the authorities. While the latter position still remains, we have during this year further consolidated on our own distribution network and as a result our sales of energy, exceeding 60 million units, have registered an increase of 20 per cent over the sales of the previous year. At the end of the year the total number of consumers connected to our Mains reached the figure of 46,478. A further cause for satisfaction is the indication of the potential demand brought to light by the response to the Government Press Note inviting applications for industrial loads to be sanctioned after the Trombay Thermal Station is commissioned. No less than 400 applications were received for loads aggregating about 25,000 kW. While it should be borne in mind that even where an unrestricted supply is available there is usually a fairly large gap between the load applied for and that ultimately connected, we can look forward with confidence to the potential growth of load in this Company's area of supply in the immediate future.

It is necessary to ensure, however, that there will not be a repetition of the over-cautious attitude shown by the Power Shortage Board during the past year or two as the result of which Industries in the Bombay region were deprived of millions of units due to freezing of potential power which has remained unutilized. This caution was the result of excessive optimism on the part of the Authorities of the Public Sector as to their ability to absorb electric power for certain new ventures which, in actual fact, did not materialise. It has now been officially stated that the first 50 MW Set at Trombay will be brought into commercial use at the end of this year and a second similar Set about six or nine months later. In view of this anticipated accretion of some 100 MW of thermal plant within the next 12 months, the power position in the Bombay region will become extremely favourable, and we hope it will continue to remain so till around 1959. Thereafter there is again danger of a shortage of power unless arrangements are set in train now for augmenting plant capacity either at Bhira or at Trombay, entirely independent of Koyana power which I do not anticipate, despite all assurances to the contrary, will become available in Bombay before 1961-62.

I am taking this opportunity to bring this matter prominently to attention at the outset of my speech to you this year in view of the contemplated changes in the reorganisation of the Bombay State, and in the hope that the Authorities concerned may promptly take the necessary steps to ensure that Bombay is not served of urgently-needed power during the country's Second Five-Year Development Plan. We have already had bitter experience of this in the past and a repetition during the next five years would be calamitous.

The Tata Hydro Companies increased their Thermal Surcharge from 15 per cent to 24½ per cent from January 1, 1956. You will appreciate that this surcharge primarily results from the inclusion of the charge for the Thermal Station erected by Government at Chola in the inter-connected system. While the addition of this 54 MW of capacity is most welcome in partly relieving the power shortage, from a purely economic view-point

the addition is something of a weight, which will be relieved to some extent only when the greatly more efficient Tata Trombay Plant comes into full commission, leaving Chola merely as a standby or peaking station.

Despite the increased cost of electricity to the Company which I have just mentioned, and the ever-rising spiral of prices generally of which you are all only too well aware, your Board have decided to give effect to a substantial downward revision in the Company's tariff rates to residential consumers for Lights and Fans and Domestic purposes. Details of the reductions about to be made will be made known to consumers by means of a circular at an early date. The result of the revision will be to bring the rates of supply for residential purposes in the Suburbs still closer to the rates obtaining in Bombay City, which is an area far more favourably placed, on account of its compact nature and high concentration of industrial and residential load, to offer more favourable rates than your Company. It may be kept in mind that we supply energy in an area several times the area of Bombay City and with loads scattered over vast distances interspersed by hills, woodland and marshes.

Our ability to make a downward revision of rates at times when almost every other household necessity is increasing in price is due in great measure to the bold policy adopted by your Board in embarking on the Six-Year Plan already referred to for providing a vast distribution net-work in anticipation of release of load from the inter-connected system. Your Directors and Agents have always attached considerable importance to a progressive policy, feeling that unless a spirit of initiative is maintained, stagnation may all too easily invade the scene. The increased revenues that are now forthcoming are the fruit of such prudent and judicious planning. Although this development has yielded considerable benefit to the community at large, as well as to the Company in the form of increased earnings, it is this very expansion which, strange as it may seem, has reacted to penalise the investor. I have explained this ingrateful phenomenon on several occasions in the past, but will do so again later in this speech as there seems to be a good deal of genuine, and perhaps some deliberate, misunderstanding about it.

We are still in the dark as to the future of the Bombay State Electricity Board which at present administers its affairs in the whole of Bombay State. The retention of one Board on a regional basis has much to commend it, for that Board will then be in the best position to continue to co-ordinate the efforts to provide adequate power in the whole of this part of India. However, this should not be construed to mean that the Electric Supply Industry in the Bombay region has been entirely satisfied with the attitude of the present Board since its inception in November 1954. We had been warned by pessimists that the creation of the Board might result in increasing the difficulties of the Electric Supply Industry in the State, which is already subject in certain directions to the control of the Public Works Department. While on the one hand the Industry has received practically no assistance from the Board by way of loans or materials, there has been a continual pressure amounting almost to harassment at times as

regards the rates charged to consumers by the Licensees in the State. Constant threats of Rating Committees appear to have become a feature of the Board's administration, and it has become painfully necessary for the Association of Electrical Undertakings, Bombay, to have to draw the attention of the Board to the fact that the scheme of the Electricity (Supply) Act is to allow Licensees full freedom to formulate their rates of supply so long as they do not violate the provisions of the Sixth Schedule to the Act. The Board has increasingly tended towards interference in the day to day operations of the Licensees, not only of the relatively small and recent ones but even of those larger ones which have rendered such yeoman service to the communities in the State over a period of many decades. As one who had something to do with the drafting of the original Electricity (Supply) Bill, I can say with confidence that it was never the intention of the Act that Electricity Boards should hamstring Licensees to the extent that they should be deprived of their legitimate initiative in formulating their financial policies. If Electricity Boards, taking advantage of the weakness of the smaller Licensees especially, seek to put them in a financial strait-acket, they will certainly be defeating a good part of the purpose for which these Boards were formed.

Although I have recently dealt at some length in my speech delivered at the Annual General Meeting of one of your sister Companies, with the vexed question of Import Licences for transformers and motors, I must repeat this important fact that, in the interest not only of the Electric Supply Industry but also of many other industries dependent on it for their power supplies, our programmes of expansion should not be impeded by undue restrictions in the import of transformers and meters and other equipment until and unless indigenous sources are able to afford reasonable deliveries. You will perhaps be interested to know that during the last year your Company placed orders for 12-250 KVA Transformers with a local manufacturer, but so far only two units have been received, though at the time the order was placed favourable delivery periods were quoted by the suppliers. Of an order for 2,600 meters placed 8 months ago, only 300 have so far been received, and prospects of future deliveries are equally bleak. As it has turned out, the indigenous manufacturers are not only unable to fulfil their commitments, but unwittingly come in the way of the Industry obtaining its requirements from elsewhere. While those indigenous manufacturers who are striving hard to maintain a reasonably high standard in their products deserve every encouragement, there seems to be no justification in adopting a dog-in-the-manger policy with regard to the question of allowing a reasonable volume of imports of transformers and meters in order to fill the gap. If the Electric Supply Industry is to play its part effectively in achieving the target set before it in the matter of power development under the second Five-Year Plan, it is absolutely essential that the Central Government should adopt a more realistic policy in the imports of transformers and meters from abroad.

While we have had a satisfactory year from the revenue producing angle, and have earned more than sufficient to pay a 7 per cent dividend, you will note that we have once again had to withdraw an amount, small though this may be, from the Equalisation of Dividends Reserve in order to maintain that same modest rate as in the past. I will now explain in some detail how this extraordinary state of things comes about because, as I have said, there seems to be misconception about the reason and about who is to blame. As you are already aware, under the Electricity (Supply) Act, the standard of permissible return has been fixed at 5 per cent of the Capital Base, which is, broadly speaking, the Capital employed in the business. Thus our ability to distribute a dividend in excess of 5 per

cent is essentially limited by the Capital structure, and the more fresh money which has been brought into the equity capital of a concern the nearer to unity will be the ratio of the Capital Base to the Paid-up Shares Capital. Therefore, to this extent and so long as the return is limited to 5 per cent, expanding Companies like yours are handicapped more than those other Companies which, for whatever reason, do not expand greatly. In fact your Company has almost sextupled its equity capital in the last decade alone in the course of fulfilling its role in the country's economy and in accordance with the terms of its Licence and the legal maximum of return which we are being allowed on our money in the result is not, and for some years past has not been, enough to cover the moderate dividend rate of 7 per cent per annum to which we have been accustomed.

With the passing of proposed amendments to the Electricity (Supply) Act, for which we have so long waited, the position in our case should be somewhat improved, because with the Bank Rate standing at its present level the permissible return would be slightly enhanced. However, we still have no news that time can be found for Parliament to take even the preliminary step of referring the amending legislation to a Select Committee.

Anyhow, the position is, and will remain, that any profit earned above the statutory maximum from time to time has to be dealt with in the statutory manner, and thus no blame can attach to anyone, other than our law-makers, if in these circumstances the resulting amount left for the benefit of investors is considered to be disappointing.

It is because of our legal obligations that we have had to appropriate from the balance of profit this year a sum of Rs. 70,466 to each of the two Statutory Reserves, namely the Tariffs and Dividends Control Reserve and the Consumers' Benefit Reserve, thereby finally leaving a deficit of approximately Rs. 12,000 between the amount at the Company's disposal for the year and the requirements for a 7 per cent dividend. We are thus, as on previous occasions, left with the choice of lowering the dividend or of making a withdrawal from the Reserve whose name implies such use, that is the Dividends Equalisation Reserve. So long as there is hope, and there is hope, that some day the law may allow us that extra which we need, and so long as there is money enough left in the Reserve which can be used, I have no doubt in my mind that what your Board have proposed to do is in your best interests and will receive your wholehearted approval.

There are some people I believe who urge that solution to the difficulty lies in increasing the profit by cutting down expenditure. Apart from the fact that the Company could not cut down expenditure without sacrificing efficiency and goodwill, it will be apparent from an intelligent reading of the law that it is the net earnings which are limited by the Statute irrespective of what the expenditure is. The more profit we earn in the circumstances the more would have to go to the two Statutory Reserves I have referred to, leaving the final balance available to shareholders unaltered at its legal ceiling. I would, therefore, reiterate that the level of divisible profits in your Company results at present entirely from the two factors I have just mentioned, namely the inadequacy of the standard return allowed at its present rate of 5 per cent and the legal ingratitude displayed towards extremely rapid expansion.

Another subject which I am sure has been agitating your minds is the question of "grossing up" of dividends to entitle you to a refund of Income-Tax. I have already explained to you in the past how an expanding

Company like yours being entitled to considerable Income-Tax Depreciation Allowances, including the recently announced Development Rebate, has had no assessable income for Income-Tax purposes, although it shows a profit in its commercial accounts which are based on the Depreciation laid down under the Electricity (Supply) Act. In spite of all efforts made to convince the Income-Tax Authorities that the effect of the accelerated depreciation allowances under the Income-Tax Act is only to defer and not to eliminate the liability for Tax, they hold the view that where no tax is leviable in the hands of a Company for a year of account, the shareholders of the Company are to be denied the "grossing up" of dividends in their hands for that year. In fact no one is more affected by this denial of "gross up" than your Agency Company itself, and it is contesting a test case on the subject. In addition the Association of Electrical Undertakings Bombay, and the Federation of Electricity Undertakings of India, in the activities of both of which your management takes a prominent part, have been representing the injustice to shareholders in this context at the highest level possible.

Linked with the above problem is that of Additional Income-Tax for which, as you will see from one of the foot-notes to the Balance Sheet, we have a contingent liability. High hopes were entertained recently that this note would no longer be required with the Company's freedom from the Tax definitely established when the High Court pronounced its decision in favour of a Company whose position was similar to ours. Since then, however, the Income-Tax Department have gone in appeal to the Supreme Court with the inevitable delay and uncertainty which this entails. With the enactment of the Finance Act, 1956, Additional Income-Tax in its past form relative to dividend has been abolished, but a Tax applicable to Dividends distributed in excess of 6 per cent has been introduced. This latter, however, is of comparatively small significance to Companies like yours whose dividends now inevitably cannot be much in excess of the 6 per cent which has been adopted as a base for the tax.

I am glad to say that our relations with the Greater Bombay Municipality on Street Lighting matters have been of the most cordial nature and that the reference which I made last year to the great need for extension of street lighting in the suburbs has borne fruit, as can be seen from the increase in the number of street lights from 6,559 to 7,295. In addition, a number of conversions to brighter lights are taking place and a number of mercury vapour lamps have been installed among the main thoroughfares. Another significant move is the gradual elimination of half-night lamps which are uneconomic both from the point of view of the Company and the Street Lighting Authority.

While the terms on which we render street lighting service have been found acceptable by the Greater Bombay Municipality, the Municipalities of Kandivli and Borivli have thought otherwise and resorted to arbitration for determining the rates charged for street lighting. The Arbitrator's Award published on August 18, 1955, upheld the Company's existing rates which are prevailing since March 1953.

During the year the Staff Union went to arbitration in the matter of several demands dealing with service conditions and bonuses for the years 1950-51, 1951-52 and 1952-53. The Award of the Industrial Court was given in December, 1955, but the Union chose to go in appeal. A fresh demand for bonuses for 1953-54 and 1954-55 has been referred to the Industrial Court for arbitration. Although your Agents have been in the forefront in recognising and safeguarding the legitimate rights of the workers in the Companies under

their control, we are being compelled now-a-days to expend more time than ever in Courts on industrial matters. So long as Labour Unions can go to Court on the slightest pretexts, this state of affairs is likely to continue. Another tendency which appears to be becoming all too prevalent is the use of the cloak of Labour Union activities to achieve political objectives and without any real heed for the true interests of the workers.

Apart from the withdrawal of Rs. 12,000 this year from the Equalisation of Dividends Reserve, on reasons for which I have already commented, the only other special reference to the Accounts which I feel I need make concerns the appropriation to Employees' Retiring Gratuities Reserve of Rs. 4,26,649. This appropriation, made at the express wish of our Auditors, now brings this Reserve to the full amount of our present accrued liability in this regard, and thereby relieves shareholders and consumers alike in respect of necessary contributions to meet this obligation. I am sure you will agree as to the wisdom of this step. Otherwise, I think there is nothing particular for me to add in respect of the Accounts, which are straightforward, and which together with the notes appended are sufficiently informative.

The first effects of the Indian Companies Act 1956, are reflected in the Notice convening this Meeting, covering inter alia the retirement and re-election of five of your Directors. I need not enlarge on the necessity for these Resolutions as the Notice itself is entirely self-explanatory. All five gentlemen have been properly proposed by shareholders for re-appointment. As from next year, the Accounts will be presented to you in the form laid down in the Companies Act, 1956, insofar as it is applicable to Electricity Companies, and I trust you will not find merely confusing the changes which that may necessitate.

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Company Meeting

THE CHAMPION REEF GOLD MINES OF INDIA (KGF) LIMITED, NUNDYDROOG MINES (KGF) LIMITED, OORGAUM, KOLAR GOLD FIELD.

Extract from the Chairman's Speech at the Fifth Annual General Meeting held at Oorgaum on 2nd August 1956.

"At the last meeting I dealt at some length with the events leading up to the proposal of the Mysore Government to nationalise the K.G.F. Mining Companies. A circular issued on the 15th June this year gave you a brief account of the position up to that date. In my speech last year, I told you how highly critical the Government of Mysore that assumed office in 1952 had been of the agreement entered into in 1949 by its immediate predecessor in office. It is regrettable that a tendency developed in the State in the last few years of dragging the Kolar Gold Mining Companies into the arena of provincial party factions where they were made the sport of group rivalries. It is now more widely known that this unfortunate circumstance has been the root cause of most of the trouble and misunderstanding your Company and its sister Companies in the Kolar Gold Field have had to live through during the past few years.

Your Directors and Managers have patiently and painstakingly striven to remove doubts and to clear up misunderstandings. You will recall that in reply to the unjust accusation made by the Mysore Government that the Agreement had been violated, the Companies requested that the question may be referred to arbitration, as specifically provided in the Agreement itself. The Mysore Government rejected this request—and expressed its preference for legislation. It was also represented that if the Government of Mysore were dissatisfied with the terms of the 1949 Agreement the Companies would be ready and willing to discuss a new agreement mutually acceptable. In their anxiety to end all controversies, and smooth out differences and see cordial and harmonious relations restored, your Directors did also suggest, in more than one context, that the Government may be pleased to appoint an impartial expert committee of eminent and high-ranking personalities in the fields of Justice, (such as a retired Chief Judge of the Supreme Court of India), Finance, and Administration, to whom all the charges and differences may be referred for examination. It was also submitted that if nationalisation was decided upon, the question of fixing the compensation should also be referred to such an independent committee.

None of these requests has so far been heeded by the State Government.

The Companies have reason to be grateful to the Central Government at New Delhi for the calm, detached and sympathetic consideration they have given to our representations.

In response to a call from the Ministry of Natural Resources and Scientific Research, Government of India, representatives of the Companies met a Committee of three officers of the Government of India at New Delhi between the 11th and the 16th June 1956 and placed before that Committee the Companies'

views and statements relating to the claim for compensation in the event of nationalisation. During the discussions, the Companies' representatives were informed of the Mysore Government's intention to fix compensation on the basis of market quotations of the shares. The Companies' representatives strongly opposed this and took the opportunity to repeat that to take drastic measures, as the Mysore Government had done, that debilitated and crippled the enterprise and brought down the share prices, and then to use the depressed and restricted market quotations as the basis for fixing compensation is to inflict a double injury on the shareholders. Detailed statements were submitted of the valuations of assets and liabilities made by an expert firm of valuers of international standing, as well as of the present position of each Company, its future prospects, etc. Following this meeting and discussions, the Companies wrote to the Hon'ble Minister for Natural Resources and Scientific Research, Government of India, submitting the views and claims of the Companies and requesting that the Companies be given a further hearing before any final decision is taken. No communication on this subject has since been received either from the Central Government or the State Government.

Neither the findings nor the recommendations of the officers were made known to the Companies; nor are the Companies aware of the advice conveyed to the Government of Mysore.

On the 31st July the concerned Minister of the Mysore Government made an announcement which was published in the Press to the effect that the Government of Mysore had agreed to the Government of India's suggestion for the payment of 119 lakhs of rupees as net compensation to the three Companies. If this news report is correct it is not known how this unreasonably low and totally unacceptable figure was arrived at. The announcement said that the Draft Nationalisation Bill, embodying certain modifications suggested by the Centre, had been sent to the Government of India for their approval and the Mysore Government were now anxious to pass the Bill as early as possible. He is stated to have added that the Centre's approval was, to quote the report, "now reduced to a formality".

As I said, the Companies have received no communication to this effect so far from the Government of India or the Government of Mysore; and considering the uncertainty and speculation caused by such reports and announcements bearing on the basis and quantum of compensation I would refrain from dilating on this subject at this stage. I would only reiterate your Directors' earnest and assured hope that, if nationalisation of the Companies is decided upon, compensation will not be unjustly or arbitrarily fixed, and that the Companies' submission and claims will be heard before an independent tribunal."



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ASSOCIATE COMPANY:
OBEETEE PRIVATE LIMITED
MIRZAPUR

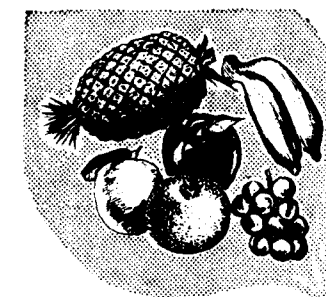
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COMPANY AFFAIRS

CALICO MILLS

The present accounts of the Ahmedabad Manufacturing and Calico Printing Co., Ltd., are for a period of 15 months ended March 31, 1956. This is because the Company desired to change the accounting year so as to coincide with the Government financial year. The balance carried forward from the previous year's account is Rs. 27,32,755. After paying bonus to employees for 1953 and 1954, and dividends on preference shares and final dividend on ordinary shares for 1954, there is a balance of Rs. 8,06,318 which is transferred to Rehabilitation and Development Reserve. The profit is Rs. 1,43,96,712. After paying Rs. 18 lakhs as interim dividends for 1955-56 and providing Rs. 18.50 lakhs for expenses and Rs. 37 lakhs for taxes, the Directors have transferred Rs. 23.15 lakhs to Depreciation Reserve, Rs. 21.35 lakhs to Rehabilitation and Development Reserve and Rs. 10 lakhs to General Reserve. (These reserves now stand at roughly Rs. 2.39 crores, Rs. 1.03 crores and Rs. 1.12 crores respectively).

The Directors have recommended the following dividends for the 15 months under review: On 1,600 'A' cumulative preference shares at 4½ per cent, free of income-tax—Rs. 11,250; On 16,000 diamond jubilee cumulative second preference shares at 4½ per cent, subject to income-tax—Rs. 45,000; On 38,666-2/3 cumulative third preference shares at 4½ per cent subject to income-tax—Rs. 1,08,750, (all bearing interest at 4½ per cent per annum); and a final dividend on 1 lakh ordinary shares at Rs. 12, free of tax, (making a total dividend of Rs. 30 per ordinary share)—Rs. 12 lakhs. The balance of Rs. 2,31,712 is recommended to be carried forward.

In all the manufacturing departments, third shift working was introduced by stages to obtain higher productivity. Also, changes in working methods introduced by agreement with workers have resulted not only in improved quality and reduced costs but also better wages for the workers concerned. In May 1955, the distribution of cloth was reorganised and now the Company sells directly to over 3000 merchants in all parts of India. This is resulting in a wider coverage of the market and a steadier flow of cloth throughout the country.

JOST'S ENGINEERING CO., LTD.

The working of the Company for the year ended March 31, 1956, shows a profit of Rs. 62,290, after meeting all expenses of operation and management and after allowing for depreciation a sum of Rs. 7,263. The profit together with Rs. 2,308 brought forward makes a total of Rs. 64,598. A sum of Rs. 12,000 has been appropriated to provision for bonus to employees and another Rs. 3,000 to provision for taxation. From the balance of Rs. 49,598, the Directors have recommended payment of an 8 per cent dividend for the year under review, free of income-tax, which absorbs Rs. 48,000, leaving Rs. 1,598 to be carried forward.

Owing to the indigenous lead acid battery manufacture, the Company received no orders for its Alkaline Train Lighting Batteries, which in some years represented nearly half of the annual business. Yet the Company achieved substantial turnover. In other agencies, keen competition has reduced the profit margin considerably. However, the Directors state that the Company will continue to make efforts to expand new agencies in order to replace the loss of battery business.

THE BANK OF RAJASTHAN LTD.

During the half-year ended June, 1956, the Bank of Rajasthan made a profit of Rs. 95,087 (subject to income-tax). This represents an increase of 102 per cent over the previous half-year's profit of Rs. 46,791 and is just equal to the last whole year's profit. The

deposits on June 30, 1956, stood at a record level at Rs. 3,17,50,548, registering an increase of 17.83 per cent over the deposit figure of December 30, 1955.

HARINAGAR SUGAR MILLS, LTD.

The accounts of the Company for the year ended September, 1955, show a profit of Rs. 5,16,531 after providing Rs. 1 lakh for depreciation. Together with the balance of Rs. 18,275 brought forward, it makes a total of Rs. 5,34,806. The Directors have recommended the following allocations: Provision for taxation and other contingencies Rs. 3 lakhs; Investments reserve Rs. 1.50 lakhs and dividend at 7½ per cent, free of income-tax, which absorbs Rs. 75,000, leaving Rs. 9,806 to be carried forward.

The factory crushed about 30 lakh maunds of cane during the season, which marks an increase of 8½ lakh maunds over the 1953-54 season. While the working on the whole was satisfactory, there were some normal mechanical breakdowns as also a go-slow policy adopted by the labour for some time. In accordance with the Labour Appellate Tribunal's Award, the Provident Fund Scheme was implemented with retrospective effect from February, 1953, covering the workers and staff of the Company.

THE BULANBARAREE COAL CO., LTD.

The accounts of the Company for the half-year ended December, 1955, are again disappointing. After providing Rs. 28,513 for depreciation, Rs. 1,308 for taxation, and including the previous debit balance of Rs. 1,65,136, there is a debit balance of Rs. 1,87,446 which the Directors propose to carry forward.

Raisings and despatches of coal during the period of review were 76,243 tons and 80,965 tons respectively. While raisings show a decline compared to the previous half-year's 90,473 tons, despatches have registered an increase over the 77,477 tons of the previous period.

growing
confidence

30th June, 1956

DEPOSITS EXCEED .. Rs. 102 Crores

WORKING FUNDS

EXCEED .. " 128 "

Six months ago

31st December, 1955

DEPOSITS .. Rs. 90.12 Crores

WORKING FUNDS .. " 112.89 "

Chairman

Shri S. P. Jain

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Head Office : Delhi

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R. L. Tull - Offgng. General Manager

COMMODITY NEWS AND NOTES

LARGER PRODUCTION OF POTATOES

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India second estimate of potatoes, 1955-56, puts the current year's area and production at 658,000 acres and 1,643,000 tons as against the adjusted corresponding estimates of 633,000 acres and 1,543,000 tons for 1954-55. This shows an increase of 25,000 acres or 3.9 per cent in area and 100,000 tons or 6.5 per cent in production over 1954-55. The increase in area and production has been showed mainly by Bihar, Uttar Pradesh and West Bengal and has been attributed to favourable climatic conditions both at the sowing and growing period. This increase has, however, been offset to some extent by decreases reported by Assam and Bombay. In parts of Nasik district of Bombay the crop was affected by ring disease. The estimate gives information up to the end of May, 1956. In this estimate data regarding acreage under winter and summer potatoes are given while production data relate to winter potato only. Production data for both winter and summer crops are to be given in the final estimate.

LARGER PRODUCTION OF SUGAR

The production and despatches of indigenous sugar amounted to 18.53 and 11.78 lakh tons up to July 15, 1956, in the current season as against 15.53 and 7.73 lakh tons, respectively in the corresponding period of the last year. The stocks with the factories on July 13, 1956, stood at 10.82 lakh tons as compared with 2.48 lakh tons last year.

EXPORT CESS ON TEA

In a written reply to a question by Shri K. C. Sodhia, the Minister for Consumer Industries, Shri Nityanand Kanungo, told in the Lok Sabha that the Tea Board was financed out of the proceeds of the export cess levied on tea. He said that the proceeds of export excluding the cost of collection were approximately Rs. 1,58,75,976 in 1955-56 as compared with Rs. 1,28,52,500 in the previous year. A sum of Rs. 45 lakhs was paid to the Tea Board in 1955-56. The expenditure actually incurred by the Tea Board on scientific and research purposes during the year was Rs. 10,000.

EXPORT OF IRON AND MANGANESE ORES

During 1955-56, 13.63 lakh tons of iron ore of the value of Rs. 6.27 crores was exported from India. During the same period 9.21 lakh tons of manganese ore of the value of Rs. 10.72 crores was exported. The second Five Year Plan provided for the export of two million tons of iron ore and 1.5 million tons of manganese ore per year by 1960-61.

COFFEE PRODUCTION

The Government of India have approved a Five-Year Plan for increasing the production of coffee in the country by over 9,000 tons per year. The programme, estimated to cost about Rs. 2.95 crores, will be implemented by the Indian Coffee Board. The present average annual production of coffee in India is about 26,000 tons. It is reported that intensive cultivation measures will be adopted over an area of about 140,000 acres. Loans amounting to Rs. 1.35 crores would be given to coffee growers for this purpose over the five year period. The new acreage to be brought under coffee cultivation is expected to be 23,700. Under the programme 40 pulping units will be established in the coffee growing areas to enable small growers to produce arabica parchment coffee which has a better market. At the same time, 320 demonstration plots, of two acres each, will be set up to educate planters to adopt better methods of cultivation, use of manures and plant protection practices. Considerable amount of money will also be spent on research and extending the results of research to the cultivators.

TEA EXPORT DUTY UNCHANGED

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty at Rs. 2-8-5 per lb., as against 2-13-11 per lb., in force from July 1, 1956. There is no change in the existing rate of duty of annas six per lb.

FIRST ESTIMATE OF SUGAR CANE FOR 1956-57

The all-India first estimate of sugarcane for 1956-57 puts the current year's area at 4,717,000 acres as against the corresponding adjusted estimate of 4,066,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 651,000 acres or 16.0 per cent in area. The area under sugarcane during the current year is the highest on record since 1948-49. This estimate does not cover the entire area sown to sugarcane crop during 1956-57. Past experience has shown that the area at first estimate stage form roughly 91 per cent of the area of the crop finally reported.

PUNJAB SEEDS ACREAGE

The total area under 'rabi' oilseeds in the Punjab, excluding linseed, according to the final official forecast for 1955-56 is estimated at 495,000 acres as against 453,000 acres estimated in the corresponding forecast of last year. The total area under linseed is estimated at 27,000 acres as against 26,050 acres estimated in the corresponding forecast of last year.

PHILIPPINE COCONUT PRODUCTION AND EXPORTS

Philippine production of copra and coconut oil in terms of copra equivalent totalled 1,078,136 long tons in 1955, 8 per cent larger than in 1954. A further increase of between 5 and 10 per cent is expected for the current year. These figures exclude coconuts used in the making of home-made oil and native culinary preparations. The volume of copra and coconut oil exports in 1955 was 931,247 long tons, an increase of 8 per cent over 1954 exports. About 50 per cent of the copra exports in 1955 went to Europe, and about 40 per cent to the United States. About 94 per cent of coconut oil exports were shipped to the United States.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrs.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. L.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
November 1955	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December " "	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February " "	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March " "	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April " "	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May " "	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	128.8
June " "	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
Week Ending 9-6-1956	356.3	476.0	386.0	378.4	509.0	393.0	91.2	100.5	85.1	125.7
16-6-1956	372.7*	480.6*	396.8	377.9	513.1	401.1*	91.3	100.5	85.2	125.2
23-6-1956	374.6*	480.6	395.6*	377.9	522.5*	401.7*	91.3	100.5	85.3	125.5
30-6-1956	374.0	481.8*	395.5	377.0	545.4	402.2*	91.2	100.5	85.3	124.8
7-7-1956	374.9*	490.9	395.1	385.1	560.8	407.7*	91.2	100.5	85.5	124.7
14-7-1956	377.3*	487.8	393.4	385.4	557.7	406.8*	91.2	100.5	85.5	124.7
21-7-1956	381.1	490.4	394.9	386.0	560.8	409.1	91.1	100.4	85.2	125.7

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

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

Period	Bombay		Delhi		Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	136
1950	298	313	257	132	349	434	372	153	325	165	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	148	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	458	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	376	143	334	148	141	135
1956 January	318	334	226	139	319	404	378	146	334	147	138	133
February	321	337	224	137	315	394	385	142	333	146	132	138
March	334	350	230	139	325	398	387	145	340	148	143	138
April	342	358	239	140	338	409	397	—	354	—	—	142
May	341	357	236	141	342	408	397	—	356	—	—	143
June	342	358	240	141	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	3-8-1956			28-7-1956			21-7-1956			14-7-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	104- 7	102- 3	103- 9	102-12	101-11	102- 4	101-14	100-14	101- 4	101- 8	99-10	100- 6
Silver (per 100 fine tolas)	172- 4	170- 5	171- 4	172-10	171- 0	171-12	174- 5	171- 9	172-14	174- 0	172- 4	173- 3

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	604.40	644.42	56.39	60.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	616.40	656.42	56.80	62.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	688.92	56.47	102.25	428.61	1,219.17
1955-56*	1,339.39	17.08	1,356.47	40.02	666.52	706.54	51.35	106.88	553.20	1,356.47
Average of Fridays December 1955	1,350.04	10.13	1,360.17	40.02	662.98	703.00	50.95	108.56	548.61	1,360.17
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	574.69	1,400.73
February ..	1,402.42	9.14	1,411.56	40.02	663.40	703.42	49.83	104.90	603.24	1,411.56
March ..	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
April ..	1,509.33	15.96	1,525.29	40.02	682.69	722.71	47.38	106.38	696.21	1,525.29
May ..	1,516.70	13.36	1,530.06	40.02	681.45	721.47	47.16	104.89	703.91	1,530.06
June ..	1,496.50	22.32	1,518.82	40.02	662.53	702.55	46.25	105.59	710.68	1,518.80
Week Ending 29-6-1956	1,474.67	28.27	1,502.94	40.02	646.55	686.57	45.68	107.69	708.68	1,502.94
6-7-1956	1,482.50	20.08	1,502.58	40.02	636.61	676.63	45.03	107.33	718.62	1,502.58
13-7-1956	1,474.60	20.37	1,500.96	40.02	626.66	666.68	44.33	108.71	728.56	1,500.96
20-7-1956	1,460.01	25.20	1,485.21	40.02	616.68	656.70	44.22	109.96	718.56	1,485.21
27-7-1956	1,444.28	32.99	1,477.27	40.02	616.68	656.70	44.45	111.96	708.62	1,477.27

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Government	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Public	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	364.79	16.98	162.47	34.21	578.45	14.55	544.96	47.24	2.62	406.95	1.57	21	81.53	4.85
1948-49*	322.17	6.62	60.63	66.62	395.72	15.33	410.05	32.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.85	8.39	960.54	4.34
1950-51*	146.60	17.71	62.22	62.29	290.82	15.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	161.39	15.65	68.68	69.22	325.15	15.63	353.77	27.92	6.31	167.14	5.90	19.42	95.19	11.91
1952-53*	166.40	7.79	62.69	61.93	309.02	25.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.53
1953-54*	106.44	23.40	66.23	57.45	253.52	25.91	266.72	23.22	9.46	123.31	1.78	18.84	81.58	7.61
1954-55*	89.13	20.69	55.30	36.29	201.38	25.63	234.90	23.24	6.10	97.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.35	53.77	18.31	132.04	35.69	197.64	17.21	9.78	60.96	1.73	36.89	49.36	15.61
Average of Fridays December 1955	54.13	8.44	57.88	16.97	136.01	34.76	181.17	10.25	8.11	63.03	3.97	31.67	50.49	12.76
January 1956	53.56	12.51	59.90	17.49	142.53	41.28	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February ..	61.12	13.65	56.56	16.85	147.00	48.59	206.59	9.37	3.50	72.81	3.41	53.41	49.71	14.40
March ..	57.51	37.22	49.23	16.93	159.51	48.99	220.30	11.26	9.53	65.31	1.60	73.88	39.44	17.33
April ..	56.21	30.15	52.14	17.16	155.66	48.82	214.48	14.64	13.35	54.43	1.34	63.52	45.55	18.12
May ..	61.41	10.27	50.36	13.04	135.11	62.24	198.35	13.48	9.79	35.69	2.36	81.42	37.02	18.61
June ..	56.43	8.33	51.92	12.97	129.65	57.61	197.46	22.42	8.94	31.55	3.94	73.96	37.75	18.69
Week Ending 29-6-1956	62.58	8.01	51.93	13.02	135.49	66.71	202.20	29.81	8.64	32.27	5.02	71.62	35.99	18.85
3-7-1956	56.84	13.17	54.49	13.08	137.58	66.14	205.72	28.37	8.36	34.97	2.37	69.68	43.04	18.84
6-7-1956	54.23	4.77	50.66	12.64	122.20	57.36	179.56	20.13	7.65	41.87	2.95	61.08	37.31	8.56
13-7-1956	52.03	6.94	52.65	12.16	123.81	57.76	181.57	29.50	5.86	41.63	3.32	53.49	37.31	8.46
20-7-1956	53.42	12.99	52.01	11.89	120.31	58.11	180.13	25.34	3.98	47.96	4.64	71.62	39.16	7.40
27-7-1956	76.16	6.84	53.35	12.22	148.56	25.99	206.59	33.15	3.46	42.75	5.16	65.64	49.39	7.31

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

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.64	16.82	42.30	..
1948-49	674.66	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	481.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.06	62.08	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.70
Average of Fridays										
January 1956	638.02	411.70	1,049.72	36.96	56.92	8.94	533.75	130.85†	64.21	378.04
February ..	631.25	415.19	1,046.45	35.18	54.97	8.59	551.12	138.15†	66.56	364.86
March ..	622.44	415.29	1,037.72	34.83	43.43	8.10	589.55	144.16†	71.41	356.65
April ..	649.02	423.19	1,073.31	37.74	56.99	8.34	604.85	150.65†	71.04	393.43
May ..	639.35	432.68	1,071.01	37.76	48.66	8.15	614.22	153.14†	71.82	354.97
June ..	636.61	446.93	1,083.54	37.96	49.77	8.18	612.04	151.64†	71.20	348.66
Week Ending 29-6-1956	638.12	452.88	1,091.65	40.07	51.93	8.50	611.23	146.24†	70.03	347.83
6-7-1956	639.35	454.97	1,091.14	37.47	19.98	8.09	611.01	145.44†	69.97	346.90
13-7-1956	644.30	450.43	1,094.38	37.26	50.91	8.03	604.67	143.29†	68.98	345.96
20-7-1956	633.51	454.87	1,075.83	38.41	49.38	8.16	601.02	143.68†	69.22	351.23
27-7-1956	639.68	456.97	1,091.43	37.91	50.38	8.16	597.64	142.68†	68.45	353.59

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	- 39.08
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09*	679.23	667.22	12.01	+ 268.69
June 1955	1,988.42	1,343.74	644.67	623.43	10.03	+ 1.87
July	1,974.91	1,324.80	650.11	619.53	10.39	- 22.48
August	1,995.81	1,314.74	680.88	632.86	11.60	+ 4.47
September	1,965.40	1,309.69	654.71	632.36	11.70	- 5.43
October	2,008.47	1,331.40	677.08	635.72	11.12	+ 24.48
November	2,014.88	1,351.24	663.64	640.40	10.81	+ 24.22
December	2,047.15	1,385.87	661.28	650.14	11.14	+ 44.69
January 1956	2,094.21	1,407.67	686.55	674.12	12.43	+ 47.06
February	2,108.97	1,435.69	673.28	661.97	11.31	+ 14.76
March	2,184.32	1,505.09	679.23	667.22	12.01	+ 75.35
April	2,231.13*	1,542.22*	688.90*	676.40*	12.50	+ 48.97*
May	2,226.99*	1,543.35*	685.63*	675.03*	10.61	- 2.14*
June	2,191.21*	1,510.56*	680.64*	669.48*	11.16	- 37.75*

**INDEX NUMBERS OF COST OF LIVING AND WHOLESALE PRICES
IN FOREIGN COUNTRIES**
(Monthly averages or calendar months)
(Base 1953=100)

	Cost of Living			Wholesale Prices		
	Japan	U.K.	U.S.A.	Japan	U.S.A.	U.K.
1950	77	81	90	70	94	80
1951	89	89	97	97	104	97
1952	94	97	99	100	101	100
1953	100	100	100	100	100	100
1954	106	102	100	99	100	101
1955	103	106	100	98	100	104
1956 October	108	103	100	98	100	100
November	106	103	100	98	100	101
December	106	104	100	98	99	102
1956 January	106	104	100	98	100	103
February	106	104	100	99	100	103
March	106	104	100	99	100	102
April	106	105	100	98	100	102
May	106	105	100	97	100	101
June	105	107	100	96	100	102
July	105	107	100	97	100	104
August	105	106	100	97	101	104
September	103	107	100	97	101	105
October	106	108	100	98	101	106
November	104	110	101	97	101	106
December	103	110	100	98	101	106
1956 January	104	109	100	98	102	—
February	105	109	100	99	102	—
March	106	111	100	99	102	—

Source: U.N. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate	Area		Yield		
		Area ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)	Tons ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)	
Food grains:						
Rice	Final	1955-56	76,253	+0.4	25,474	+3.8
Wheat	Final	1955-56	19,226	+6.2	8,348	-4.9
Jowar	Final	1955-56	42,721	-1.7	6,840	-23.7
Bajra	Final	1955-56	27,025	-3.4	3,400	-0.6
Maise	Final	1955-56	8,909	-4.3	2,519	-14.3
Ragi	Final	1955-56	8,711	-1.5	1,844	+12.0
Barley	Final	1955-56	8,146	-2.0	2,721	-5.2
Gram	Final	1955-56	22,902	+3.9	4,865	-9.8
Sugar cane	Final	1955-56	4,616	+11.3	5,869	+1.7
Oilseeds & Edible—						
Sesamum	Final	1955-56	5,738	-11.7	458	-22.2
Groundnut	Final	1955-56	12,885	-7.1	3,804	-7.8
Rape & Mustard	Second	1955-56	2,386	+7.2	..	..
II. Non-edible						
Linseed	Final	1955-56	3,424	+2.1	376	-1.6
Castorseed	Final	1955-56	1,462	-4.9	126	+1.6
Fibres:						
Cotton	Final	1955-56	20,250	+8.3	3,998	-5.4
Jute	Final	1955-56	1,591	+27.2	4,137	+41.3
Other Crops:						
Tobacco	Second	1955-56	852	+1.5	..	..
Potato	First	1955-56	552	+0.2	..	..

Source: Ministry of Food and Agriculture

4 PER CENT STATE GOVERNMENTS LOANS

1. Government of Andhra	Rs. 600 lakhs	Issue price Rs. 99-8 per cent
2. Government of Bihar	Rs. 200 lakhs	Issue price Rs. 99-4 per cent
3. Government of Bombay	Rs. 750 lakhs	Issue price Rs. 100-0 per cent
4. Government of Hyderabad	Rs. 200 lakhs	Issue price Rs. 99-8 per cent
5. Government of Madhya Bharat	Rs. 100 lakhs	Issue price Rs. 99-4 per cent
6. Government of Madhya Pradesh	Rs. 150 lakhs	Issue price Rs. 99-4 per cent
7. Government of Madras	Rs. 1250 lakhs	Issue price Rs. 99-12 per cent
8. Government of Mysore	Rs. 400 lakhs	Issue price Rs. 99-8 per cent
9. Government of Orissa	Rs. 300 lakhs	Issue price Rs. 99-4 per cent
10. Government of Punjab	Rs. 200 lakhs	Issue price Rs. 99-4 per cent
11. Government of Rajasthan	Rs. 300 lakhs	Issue price Rs. 99-8 per cent
12. Government of Saurashtra	Rs. 250 lakhs	Issue price Rs. 99-8 per cent
13. Government of Travancore-Cochin	Rs. 200 lakhs	Issue price Rs. 99-4 per cent
14. Government of Uttar Pradesh	Rs. 800 lakhs	Issue price Rs. 99-8 per cent
15. Government of West Bengal	Rs. 700 lakhs	Issue price Rs. 100-0 per cent

All the State Governments reserve the right to retain subscriptions up to ten per cent in excess of the notified amount.

All the above loans will be repaid at par on 3rd September, 1968 except that of the Government of Bombay which will be repaid at par on 3rd September, 1970.

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 3RD SEPTEMBER, 1956 AND CLOSE ON 10TH SEPTEMBER, 1956 OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

All the loans will bear interest from 3rd September, 1956.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

3% BOMBAY GOVERNMENT LOAN 1956, 3% MADHYA PRADESH LOAN, 1956 and 3% MADRAS GOVERNMENT LOAN, 1956 will be accepted AT PAR for conversion into the new loan of the Government concerned; interest on the securities of the respective loans tendered for conversion will be paid up to and including 2nd September, 1956.

3½% TRAVANCORE GOVERNMENT LOAN, 1956 will be accepted at PAR for conversion into the new loan of that Government. In addition to the interest due on securities of that loan tendered for conversion, tenderers will be paid interest at the rate of 4% per annum on the amount of the principal of such securities from 16th August, 1956 to 2nd September, 1956 inclusive.

APPLICATIONS FOR ALL THE LOANS WILL BE RECEIVED AT THE OFFICES OF THE RESERVE BANK OF INDIA AT BOMBAY, CALCUTTA, DELHI, MADRAS AND BANGALORE.

APPLICATIONS Will also be received at PLACES WITHIN THE RESPECTIVE STATES as follows:

(i) At the branches of the State Bank of India and at Treasuries and Sub-treasuries in the case of Andhra, Bihar, Bombay, Madhya Pradesh, Madras, Orissa, Punjab, Rajasthan, Saurashtra and Uttar Pradesh loans.

(ii) At the branches of the State Bank of India in the case of West Bengal loan.

(iii) At the Branches of the State Bank of India and at District Treasuries only in the case of Madhya Bharat loan.

(iv) At the branches and treasury pay offices of the Hyderabad State Bank and at Treasuries and Sub-Treasuries in the Hyderabad State in the case of Hyderabad loan.

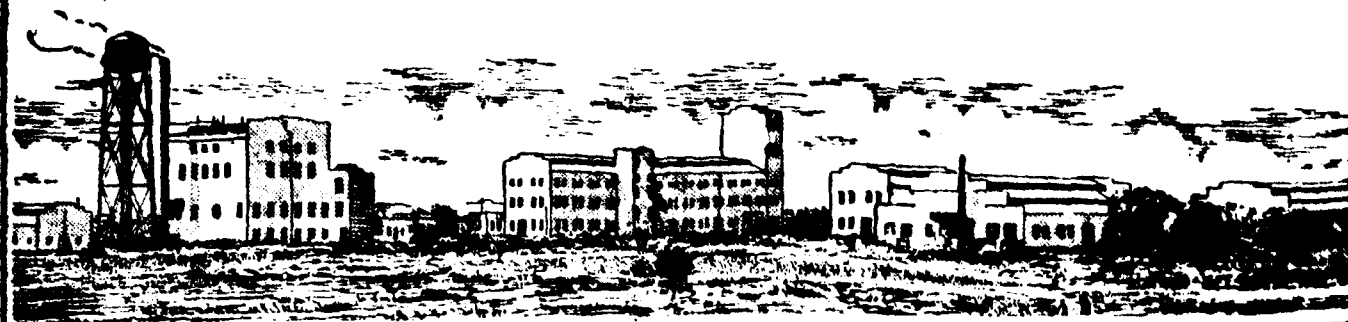
(v) At the branches of the Bank of Mysore Ltd., in the Mysore State except at Bangalore and at Taluk Treasuries in the Mysore State at places where there is no branch of the Bank of Mysore Ltd. in the case of Mysore loan.

(vi) At Treasuries and Sub-Treasuries only in the case of Travancore-Cochin loan.

Copies of Notifications and Application Forms may be obtained at any Receiving Office.

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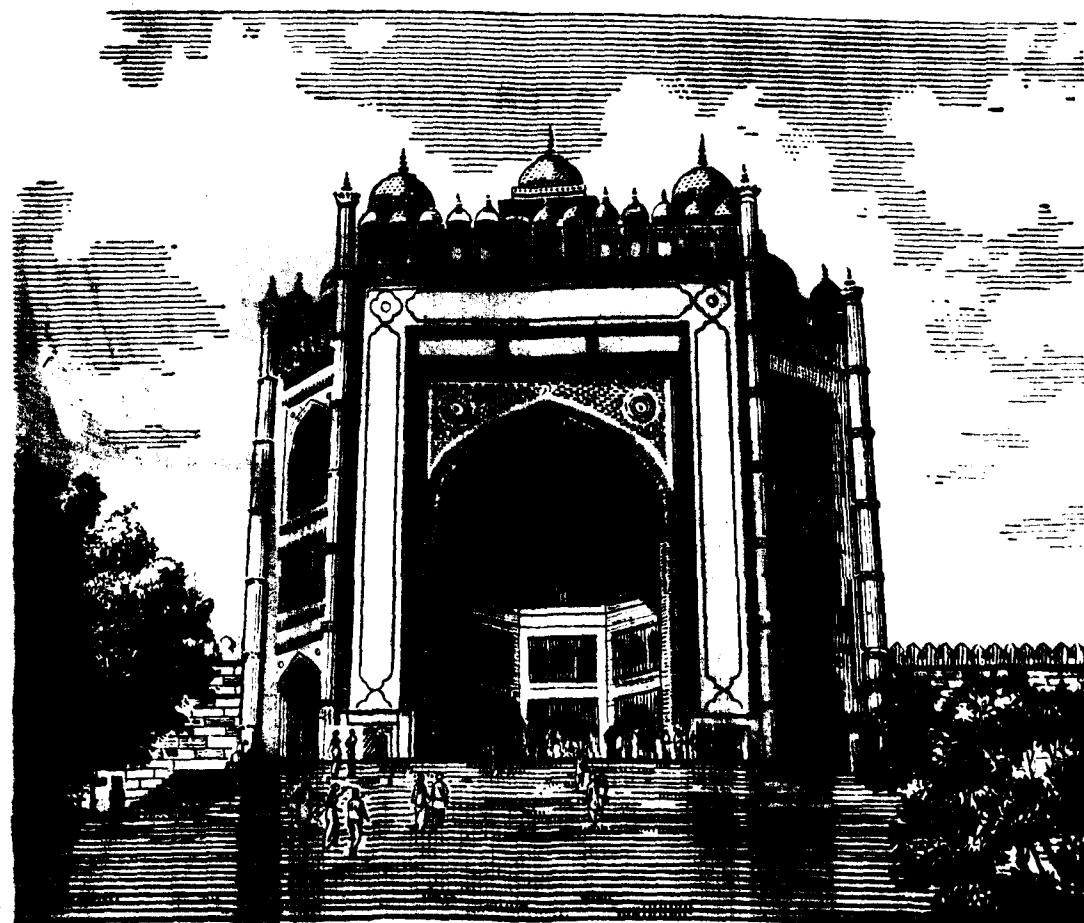
The Judgment of Appleby.

DR. PAUL APPLEBY's second report on the capacity of public administration of the Central Government has turned out to be an even greater maker of controversy than his first report, which, even as a preliminary canter, stirred some depths in Indian public administration. As with the judgment of Paris, Dr. Paul Appleby's report seems to have displeased two high goddesses, the first, the jealous doctrine of Parliamentary responsibility, the second, the invulnerable doctrine of the supremacy of Audit. Within three days of the issue of the report there has been critical comment in many papers, and a powerful and somewhat acrimonious statement from the Auditor-General. It is unfortunate that this constructive document, fearless in its analysis of present

weaknesses in India's public sector, should thus be exposed to criticism of detail, which are not central to the problem on which Dr. Paul Appleby was asked to advise.

If Dr. Appleby had attempted to set out, for all time and for all places, a nice balance of authority so as not to permit of the smallest margin of error, he might have given to Parliament and the Auditor-General much higher places than he accords to them in the present emergency. This point is essential to an understanding of the report. It is a report designed for an emergency. India's second Five-Year Plan is obviously lagging; India's first Five-Year Plan was largely underfulfilled in the public sector. The Prime Minister

Around India with Brooke Bond



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THE WEEK'S NOTES

THE C.S.O.'S ERROR

THE DIRECTORATE of Economics and Statistics, Ministry of Food and Agriculture, has released this week the provisional index of agricultural production for 1955-56 along with the revised figure for 1954-55. Great interest attaches to the latter which has disclosed a new peak at 116.4 (base: 1949-50=100) as against the provisional estimate of 113.9, released a year ago. The provisional official estimate had put farm output in 1954-55 slightly below that of 1953-54 whereas 'The Eastern Economist' had estimated a rise of nearly one per cent. The latest figures corroborate the trend as estimated by 'The Eastern Economist' series. In other words, there was no drop (in quantitative terms) in 1954-55 in agricultural output over 1953-54.

'The Eastern Economist' in a special article entitled 'The Perils of Statistical Haste' in its issue dated May 25, 1956 had described the official real national income figures as gross underestimates. The burden of the argument advanced by the C.S.O. against the thesis of this article was that a major increment in income in 1953-54 had come through agriculture which had failed to register a rise in 1954-55. It was argued that owing to adverse seasonal conditions overall agricultural output had disclosed a slight decline in 1954-55 over 1953-54. It was further stated that the trend was faithfully reflected both in the agricultural production index and the real income figures computed by the C.S.O.

On a faithful translation of the latest figures for farm output in the national income computations it will be found that the net national product in 1954-55 (at 1948-49 figures) rose by nearly 3 per cent over 1953-54, and not by one per cent as put out by the C.S.O. The error made was doubly unfortunate because of its timing. The World Bank was persuaded, it seems, that Indian agricultural dynamism was tapering off.

METRIC SYSTEM FOR INDIA

IN PURSUANCE of their decision to introduce the metric system of weights and measures, the Government of India have just introduced in the Lok Sabha a bill seeking to lay down meter as the primary unit of length and kilogram as the primary unit of mass. According to the statement of objects and reasons of the Bill, the prevailing standards of weight like the seer and the pound with their multiples and sub-multiples have not been effective or uniformly enforced throughout the country. The current standard measure of length, namely yard, does not also prevail uniformly in all parts of the country. The prevalence of different units of weight in different areas and in different trades even within the same area, hampers trade and gives rise to malpractices. There is thus a manifest need for enforcing a uniform system of weights and measures—like the metric system which has the added merit of being enforced in nearly 70 countries and recognised in all the countries of the world. The Government of India are convinced that its adoption, together with the decimalisation of coinage, will be in the best interests of trade and industry of our country.

But the difficulties of transition to an entirely new system are recognised by the Government who

have rightly provided for its gradual extension according to a phased programme covering ten years in all. At the same time the prevailing standards are to be permitted to the extent necessary during the transitional period. Quite apart from the transitional difficulties, there is the consideration whether the complete adoption of the system can materialise at least at the end of ten years. The comprehensive Metric Act of 1870, as amended in 1871, it may be recalled, became a dead letter, because it was never proposed to force it on the public. As most of the railways were unwilling to introduce the new weights on their lines, the Government of India quietly set aside their earlier decision to have the official weight based on the metric system. Although the Act of 1871 remained in the Statute Book till 1939, no notification was ever issued to bring it in force. Col. Strachey (who inspired the 1870-71 Acts) recorded that "the average weight of Indian seer was found to be about 2½ lbs. avoirdupois, and so was the British Indian seer which weighed 80 tolas. The kilogramme of the metric system was equal, within an almost inappreciable fraction, to 2½ lbs. avoirdupois". This opinion holds good even today, and possible public resistance to a revolutionary change may have to be discounted in view of the circumstances that the present-day Governments in India are strongly placed to introduce the metric system in railways and other segments of the growing public sector. This compulsion via the public sector may have better chances of success now than if it had been attempted in the conditions of the seventies of the last century.

RIVER BOARDS BILL

THE RIVER BOARDS BILL, as amended by the Select Committee, has just been passed by the Lok Sabha. This Bill provides for the establishment of river boards for the regulation and development of inter-State rivers and river valleys. While the need for regulation of this kind is apparent in the context of the present or the future States set-up in India, it is laid down that the river boards would only be of an advisory character like the Zonal councils contemplated by the States Reorganisation Bill. The idea is that if the advice of a board is not accepted by one State or another, the aggrieved party can approach an arbitrator for an award. Whether this provision would be sufficient to ensure agreement on the integrated development of an entire river passing through different States, need not be doubted because an arbitrator has, in any case, to be depended upon to give an award with judicial impartiality.

Mr. Gulzarilal Nanda has rightly emphasised that the development of irrigation and power is a power vested in the States themselves. If a State refuses to carry out an inter-State scheme, the Centre cannot carry it out themselves and compel the unwilling State to pay. Where the States concerned reach a voluntary agreement (as some of them have done in recent years in the matter of a few major irrigation and power projects), there is obviously no difficulty. Where they fail to agree, Central compulsion is not the appropriate way, for that would not be consistent with the autonomy of States. That State autonomy has been abridged in fact in recent years in the circumstances of centrally-directed economic planning, can be no justification for curtailing it further. The Bill, therefore, appears to be moderate and reasonable and it may, as enacted, go a long way in resolving not only some unresolved disputes in some areas of the country but in facilitating agreement on river valley schemes which are yet to be taken up.

RUSSO-JAP PEACE PARLEYS

BY SUSPENDING the peace treaty negotiations at Moscow till after the London Conference on Suez, the Japanese have perhaps put off the inevitable for a few days more. The thin line that now stands in the way of a settlement is the issue of the return to Japan of the Kurile islands of Kunashiri and Iturup. Over the last ten months of negotiations, the Japanese have been pressing their claim on the two islands, the largest of the Kurile group, which had been historically under their rule. It was towards the close of the last war that the Kurile chain, the Southern Sakhalin and other neighbouring islands came under Soviet occupation as a prize for their war against Japan, agreed to by the U.K. and the U.S.A. at the Yalta Conference. In the San Francisco peace treaty of 1951, which was the result more of imposition than of genuine negotiation, Japan renounced her claim over the islands; the Soviet Union was not a party to that Conference.

While the Japanese have made the return of the islands a condition of signing the peace treaty with the Soviet Union, it is now becoming increasingly clear that they are likely to yield more ground and would be prepared to sign the treaty if the Russians agree to a possible return of Kunashiri and Iturup if and when the American give up Okinawa and the Bonin group. To induce the Japanese to sign the treaty on Russian terms, M. Shepilov has offered the prospect of enlarged trade between the two countries. In view of the failure of last year's trade agreement with Russia of £160 million by a group of Japanese business men, which has been fulfilled by as little as less than 10 per cent, the Japanese regard the latest offer as propagandistic. Having failed to allure the Japanese to sign the treaty, the Russians have now said their 'last word'. Notwithstanding the commendable unity which the Japanese politicians have shown in respect of the peace talks, there is substantial pressure from some quarters at home for an early end of the 11 long years of the state of war and for establishing diplomatic relations with the Soviets. It is, therefore, likely that Japan will waive her territorial claims in order to reach a settlement.

UNITY IN LAOS

THE AGREEMENT reached recently between the Royal Laotian Government and the dissident Pathet Lao, occupying the two northern provinces of Phong Saly and Sam Neua, was not entirely expected. The sudden change came with the Soviet announcement last month of their intention to recognise the Royal Government. The agreement, for which both sides have made concessions, is clearly an important first step towards restoring peace in this grossly undeveloped region of South-East Asia. However, no final opinion can be expressed before the two military and political sub-committees, set up by the parties, find solution for real problems which have caused differences between them. Broadly the problems are the integration of the Pathet Lao military units in the Laotian national army and of the civil administration of the two provinces occupied by the Pathet Lao in the general administrative fabric of Laos. Also, there is the question of future elections.

Under the agreement, which for the present is only on principles, the Pathet Lao has agreed that administration of the two provinces will revert to the Government and their forces will be put under the Royal Command. The Government has agreed to form a coalition with the dissidents and hold fresh elections. The two sides have agreed to a foreign policy which is

expected to be one of peace and neutrality; maintaining good relations with all countries, particularly neighbours; non-participation in military alliances; and refusal to allow any country to establish military bases in Laos except as provided for in the Geneva Agreement. The foreign policy is based mainly on what has often been stated by the Crown Prince of Laos and the Prime Minister, Prince Souvanna Phouma. The welcome change in Laos should prove beneficial not only for that country but also in clearing the atmosphere in the neighbouring country of Viet-Nam which has also remained divided at great cost for a long time now.

SCIENTIFIC TERMS IN HINDI

IT IS reported that over 80,000 scientific and technical words have so far been evolved by the Union Education Ministry in its Hindi Division which was set up in 1952. It is envisaged that by 1960 the Hindi Division will be able to evolve the entire basic vocabulary for all the major sciences and arts. The total number of terms is likely to exceed three lakhs. The progress is really encouraging.

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Full particulars can be obtained at any of the offices of the Reserve Bank of India or branches of the State Bank of India or at any treasury or sub-treasury in the State of Bombay.

A Window on the World

TWILIGHT OF THE WEST?

By

ODYSSEUS

PANDIT NEHRU has repeatedly stated that India remains in the Commonwealth because it is in her interests to do so. What are these so compelling interests? They are many and varied and I am going to put it to you that among them is the continuation of a Commonwealth sphere of influence in the Suez Canal and the Middle Eastern area for several decades to come. Our interests there are to ensure that the canal remains open to ships of all nationalities. The countries of the Commonwealth, to which we belong, are the canal's biggest users.

No less than one quarter of Britain's entire export and import trade passes through the canal. 11 per cent of the canal traffic consists of the import and export trade of India, Pakistan, and Ceylon. In monetary value, out of India's total exports to all countries worth Rs. 591,23,00,000 in 1955-56 and imports worth Rs. 649,64,00,000, no less than Rs. 367,51,00,000 and Rs. 455,57,00,000 respectively passed through the canal, leaving only exports worth Rs. 233,72,00,000 and imports worth Rs. 194,07,00,000 which went or came by other routes. Look at those figures again. They mean that 61 per cent of India's exports and 70 per cent of her imports go through the canal.

Should the canal be open to the influence of any power hostile to the Commonwealth, Indian and Commonwealth trade could be dislocated. For the space of a few years, the economic loss would be tremendous. In a longer run it would be countered by building a rival canal, pipe lines, and tankers of a size economically to justify the Cape route. (In passing, I assume that if the present crisis is solved and the canal kept open, plans for alternative East-West communications will in any case be put in hand at once because it is clearly too perilous to remain at the mercy of one route).

SUEZ AND INDIA'S FIVE-YEAR PLAN

India's future depends on the Five-Year Plan. But the economic calculations on which it is based, and the incalculable social repercussions that flow from it, would be jeopardised if Commonwealth influence were removed from the canal zone.

In the event that Egypt is successful in her defiance of the 1888 Convention (reaffirmed by her voluntary signature as a free and equal country in 1954), the countries of the Middle East could hardly resist the temptation to "nationalise" the international oil companies in their midst. Nor would the USSR be slow to take advantage of the power vacuum thus created. All British and all western European industry could be held to ransom. 67,000,000 tons of oil moved northwards through the canal for European industry in 1955. It follows that should the Middle East pass under influences hostile to the Commonwealth, India's problem may not be merely one of added shipping costs for the Cape route, important though that would be, but whether the British and European economies were being allowed to function at all, and if so at what levels of costs.

The Suez canal crisis is not therefore a local wrangle between an imperialist Britain and nationalist

Egypt which the rest of the Commonwealth, of which we form a part, can afford to watch, leaning with folded arms over the non-alignment garden wall. The life of Britain and of the whole West depends on the waters of the canal and the oil of the Middle East.

At first glance it seems natural that India, representing a triumphant nationalism which has thrown off the western imperialism at whose hands she suffered wrongs, should rejoice when Egypt rubs western noses in the dirt, but reflection over the further possibilities suggests a question: Is it in our interests that the Commonwealth, Britain, Europe, and the whole of the "West" as at present constituted, should be wiped off the international map tomorrow because we suffered at their hands yesterday?

Why should Britain be allowed to keep spheres of influence in Aden, Jordan, or elsewhere? Why should not Britain and all Europe buy oil from the Arabs as they buy jute from India? Because (as I said here on March 30), at a pinch, Europe and the Commonwealth could get along without jute without disrupting their economies, and because there is at present no hostile power on India's borders ready to dictate the uses to which her jute industry should be put if it were left unguarded. But without unmolested movement through the canal, the economies of the countries of Europe outside the Iron Curtain would be dislocated, and without unmolested access to Middle Eastern oil, their 302,000,000 people would starve within weeks because their ability to manufacture and to export would be brought to a standstill.

INDIA'S STAKE IN WESTERN PROSPERITY

Do not misunderstand me. I am not arguing that these 302,000,000 Europeans have some superior God-given right to survival. Nor am I arguing that political relations in the Middle East should be frozen for ever in today's pattern. I am asserting that if Britain and free Europe were reduced overnight to the international power status of Finland, India would be swallowed up in the world economic and political tidal wave that would be let loose by the European catastrophe. This is because India's material interests and political independence are to a large extent bound up with the interests and independence of the Commonwealth and of the free countries of Europe. In turn, the political independence of the Commonwealth and of the free countries is substantially dependent on the prosperity and stability of the West.

These problems are not as widely understood as they should be because almost all discussion of them in parliament and press is in terms of our national sympathies which blur perception of our national interests. The popular antithesis between imperialists and colonials, between Europeans and Asians, springs from a past which is dead. India's interests are criss-crossed with some Asian and some European countries and are at variance with other Asian and other European countries. These interests cut across pre-August 15, 1947, imperialism and nationalism. The issues can be stated simply: Which side has the greater interest in seeing us prosperous and independent? From

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which states can we buy most of what we need to develop our own strength? To which can we sell most of what we have to export? Answer: Those states, mostly maritime, which have the greatest interest in keeping the Suez canal open and in having unthreatened access to the oil of the Middle East.

Nothing in this argument should be interpreted as an attempt to suggest that the existing status quo in international relations is immutable. All history is the record of changing relationships of power between states. The task of the statesman is to do all that he can to ensure that changes occur by discussion and compromise rather than by threats and war.

HITLER'S PRECEDENT

But this, of course, is a counsel of perfection and in an imperfect world there comes a point in the history of every state when it must either resign itself to disappearing from the map or fight for survival. The leading European states feel that if pushed too fast and too far by Arab nationalism, they must either resign themselves to being ignominiously pushed around by Arab dictators, or their Soviet successors, as Hitler pushed Europe around when asserting his "national rights" in the Rhineland, Austria, and Czechoslovakia, or they must stand and fight for their survival. It is unrealistic to tell the Europeans that they would be morally wrong to fight. People faced with the choice of death or survival don't listen to philosophers.

So that the possibility of a war brought on by European desperation must be regarded as one of the factors in the situation.

Everyone recognises that the Suez canal crisis is evidence of the power changes hastened and widened

by World War II, in which British and European power has receded. Few, however, recognise that India stands not afar on the perimeter of these vast upheavals but, for historical, geographic, and economic reasons, at their very centre, with all her interests involved and her whole future at stake. Given some decades of world peace, India can build her own power up until she becomes strong enough to influence the course of world relationships in directions that suit her. If she is to attain this desirable world position, should not her present influence and material support, such as it is, be directed towards helping those who would welcome the development of her resources and power? It is right that India should listen to her heart and do what she can to ensure that the peoples of the Middle East get a square deal, but it would help neither them nor her if she failed to listen to her head and help to ensure that those economic and political changes which are inevitable in the Middle East are not precipitated by dramatic neo-Hitlerian gestures but eased by evolutionary and undramatic diplomacy.

Let us recapitulate: The basic point is not Egypt's right to nationalise the canal. Nobody disputes that. What is at issue is the observance of international obligations. Egypt has unilaterally denounced an agreement. If she had called for a meeting of the signatories to discuss modification of the terms, nobody could have objected and it would not have been practical politics to have conceded her nothing. The threat to the whole world is that if Egypt gets away with this unilateral denunciation, every Middle Eastern oil state will be encouraged to follow suit. This would extinguish the material power of western Europe and leave the Middle East at the mercy of the USSR, which, by control of Arabian and Iranian oil, would become the world's most formidable single power. The mere threat of such a possibility would bring us all to the verge of World War III.

SUEZ SEEN FROM PARIS

(From Our Special West European Correspondent)

PARIS, August 10.

THE Suez crisis has produced many surprises so far, but none more astonishing than the immense vehemence of the first French reaction to Nasser's coup. It is not, of course, at all astonishing that the French should have received the seizure of the Canal extremely unfavourably, that they should have rejected it in the strongest terms, and that they should have taken speedy steps to safeguard their interests. But what is amazing is that these things should have been done in an atmosphere of violence and tension that has few parallels in modern French history. The vigour of Paris's reaction has shocked the outside world, and in some capitals (including some West European capitals) has been qualified as "hysterical". I should not call it that, for that would imply that it was irrational or baseless—and it is exactly my intention here to show how the French reaction was natural and inevitable. But whatever word one uses to describe it, one needs to have been in Paris to feel the full measure of an extraordinary national emotional crisis.

Events in the Suez affair are moving quickly, and by the time this appears in print the balance of international opinion about the Canal may have changed considerably. But what will not have changed is the recollection of France's mood in the last three weeks—and whether Nasser keeps the Canal or not, that mood will leave its mark on international affairs for years to come. The unusual state of mind this country was in at the beginning of August may prove to be irrelevant to the ultimate fate of the Suez Canal, but the tensions built up are going to discharge somewhere, and even if they do not discharge over Colonel Nasser's head they will certainly continue to affect the Western alliance and Europe's relations with Africa and Asia. The Fashoda incident on the Nile in 1898 produced a similar tension in France, and although that incident "came to nothing" in the sense that Britain and France did not go to war, it coloured European affairs right down to the eve of the first World War—and is not forgotten yet.

Listening to the speeches of Guy Mollet and Christian Pineau in the Assembly and on television after the Three-Power conference in London, I was taken back to the worst days of 1937. Never since then, even during the acutest phases of the cold war and the Korean War, have I heard European statesmen use language of such uncompromising violence. We are accustomed to hearing abuse of the most reckless kind expressed in Russian and Arabic, two languages in which abuse comes naturally and, at moments of crisis, almost inevitably. But French is not such a tongue, and when a French diplomat clearly implies (self-respect would prohibit him from using the actual words) that someone is a liar, a thief and a charlatan, we must conclude that he is in a singular frame of mind. The Quai d'Orsay is not only the French foreign office but the very school of world diplomacy, and so when its head receives an ambassador, refuses to shake hands with him or to give him a chair and submits him to an outburst of vilification such that the ambassador leaves feeling that this interview alone warrants rupture of diplomatic relations, then too we must conclude that France is in a singular frame of mind.

The French National Assembly, free from the restraints of diplomatic usage, ventilated the same

mood with great rhetorical vigour and copious references to Hitler. The Press, free of even the restraints of parliamentary usage, developed the latter comparison with luxuriant detail—and I need not recall that, while Hitler has few defenders anywhere, in France the very name can be pronounced only with distaste. The eagerness with which naval and military preparations were reported, the scorn with which American hesitations were surveyed, and the immense suspicion with which proposals for a conference were greeted, all showed clearly that the French mood of early August had only one logical outlet: war with Egypt.

Why did France fly into this mood, so that even the great determination to resist Nasser expressed by British statesmen appears lukewarm and phlegmatic by comparison? The first answer is undoubtedly in Nasser's 'intention' in seizing the Canal. Although that action is now defended as a legitimate nationalisation, as an exercise of sovereignty and other such juridical phrases, there could be no doubt at the moment of the Alexandria speech that the seizure of the Canal was intended as a blow at the West, as a retaliation. It was received in France in that way. After all, there are certain things our friends are perfectly legally entitled to do to us, but if we feel that in doing them at a certain moment they are acting from personal spite, then we are apt to react to their spite, without caring for, or even disputing, their legal entitlements.

The rest of the answer lies in France's situation even before Nasser acted in Suez. And the first element in that situation is that France is at war, and has been for many months. The Algerian struggle has strained this country's nerves to the limit, and throughout the struggle it has been felt that the real enemy is not in Algeria but in Cairo. For many months past Colonel Nasser has been the Frenchmen's number one hate, and at least all the Right wing have felt sure that if Cairo would cease supplying material, refuge and comfort to the rebels, the war in Algeria would soon collapse. Even the Socialist Ministers who began by seeking to conciliate Nasser and who obtained a promise from him that he would not materially assist the Algerian rebels, had turned against him long before Suez, because this promise had not been fulfilled. One Minister in the Cabinet has been urging for some time that France sever diplomatic connections with Egypt on the grounds of Cairo's meddling in Algeria. Obviously, Cairo did not have to do very much more to bring relations with France to the breaking point. Nationalisation of the Canal would have been the last straw that broke the camel's back, and in the event it was not a straw but a very big stick.

But not only is the latest action of Nasser's a new injury to France, but in the eyes of many if not most French politicians it provides an opportunity to settle the Algerian struggle in one crucial effort. The military effort in North Africa is dragging on painfully, and although "pacification" is making progress, a conclusion seems very far away. It may appear surprising that a country all of whose military resources are committed in such a difficult war should nevertheless be most willing of all to begin a new war with Egypt. But this is because it is felt in Paris that this would not be a new war, but the decisive stage of the old one, and any effort, no matter how costly or dangerous, would be worth while if it succeeded in bringing the Algerian campaign to an early end.



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This is the only explanation for the peculiar vehemence of the French reaction to Nasser's seizure of the Canal. The Suez affair is not seen here as an isolated action, but is judged in the context of the Algerian war. It is because she sees it as part of a war that France has been the most forward in proposing to give it a military solution.

Those Frenchmen who would not agree that war over Suez, by leading to Nasser's downfall, would assist pacification in Algeria would agree with the converse: that if Nasser is permitted to inflict a resounding defeat on France in this matter, then her North African empire is finished once and for all. This, I think, is perfectly true. Even if French views about Nasser's interference in Algeria are grossly exaggerated, even if France's main enemy in Algeria is not Cairo but a genuine domestic nationalist movement, it is still true that the French position in North Africa is at stake in the quarrel over Suez. Arab opinion sees the nationalisation of the Canal not as a juridical act, legal or otherwise, but as a blow from nascent pan-Islam against the imperialists. If it succeeds as such (quite regardless of whatever legalistic camouflage Mr. Dulles or other mediators throw over it), then France's shaken

power in the Arab world has received its death-blow. Much more than Dien Bien Phu, Suez has become the symbol of French overseas power.

Suez will remain that symbol whatever course events take—and perhaps the most important of those events will have been decided by the time this is in print. The terms of the solution will scarcely matter except as a cover for the real point at issue: either France administers a notable check to pan-Arabism, in which case her hold on Algeria is strengthened, or she suffers a notable defeat at Arab hands, in which case the last of her possessions in Islam is gone. In the latter eventuality, the mood I have described above will work itself out for years to come in bitterness and recrimination. The hunt for the "men of Dien Bien Phu" is still going on in France today; scarcely a day passes in the Assembly without some insulting reference to that lost battle. But the "men of Suez" will not be sought in France, because (outside the Communists) unanimity so far has been complete. They will be sought in Washington probably, certainly in Cairo, perhaps in Delhi... Someone is going to receive a bill for the emotional paroxysm France is experiencing.

WORLDGRAM

AGRICULTURE

Intensive Manuring of Sugarcane Crop: An area of 15 lakh acres is likely to be covered by the scheme of intensive manuring of sugarcane crop during 1956-57. It is reported that during the last two yearly campaigns of 1954-55 and 1955-56, conducted under this scheme, an area of 1.79 and 8.06 lakh acres had been covered out of 2.24 and 9.35 lakh acres respectively under the sugarcane crop.

Hyderabad Agricultural Debtors' Relief Bill: The President has given his assent to the Hyderabad Agricultural Debtors' Relief Bill, 1956. The Hyderabad Debt Conciliation Act was enacted in 1939 to provide for relief to agricultural debtors. As the underlying principle of that measure was conciliation and compromise, which required the consent of both creditors and debtors, it did not prove effective. The present Bill is based on the Bombay Agricultural Debtors' Relief Act, 1947, and seeks to replace the Debt Conciliation Act.

INDUSTRY

Draft Standard for Loudspeakers: The Indian Standards Institution has issued, for eliciting comments, the following two draft Indian standards covering loudspeakers and loudspeaker systems: (1) Methods of test on loudspeakers and loudspeaker systems. (2) Diaphragm operated pressure units and horn type loudspeaker systems. The first gives detailed procedures for methods of test for all types of loudspeakers including diaphragm-operated pressure type units and direct radiator cone type loudspeakers. The draft covers mechanical and climatic tests as also methods of measurements for electrical and acoustical performance of different types of loudspeaker systems. The second draft standard lays down minimum electrical and acoustical performance requirement as also mechanical & climatic durability requirements of diaphragm-operated pressure type loudspeaker units and associated horn systems. These two drafts have been prepared by the Radio Equipment Sectional Committee through its Sub-Committee on acoustical equipment. Two more draft Indian standards in this series, one relating to direct radiator (cone type) loudspeakers and the other for loudspeaker units used in conjunction with community radio receivers, are under preparation and are expected to be issued very shortly.

Draft Standard for Abrasive Specialities: The Indian Standards Institution has circulated, for eliciting comments, a draft specification for abrasive specialities. It covers the requirements for sharpening stones, scythe stone, files, finished sticks, rubbing bricks, etc. It aims at rationalizing the types and sizes of the abrasive specialities being manufactured in the country. Comments on the draft, which has been prepared by ISI's Abrasives Sectional Committee, may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before October 4, 1956.

Minimum Standard for Common Salt: The Government of India have decided to raise the minimum standard for edible common salt to 95 per cent sodium chloride content from January 1, 1957 and to 96 per cent from January 1, 1958. The Government of India decided, on the recommendation of the Indian Standards Institution in 1950, to fix the minimum standard for edible salt at 96 per cent sodium chloride content, and to raise it further after this standard had been achieved uniformly all over the country. In view, however, of the practical difficulties inherent in the realignment of small holdings for the production of

high grade salt, it was decided to attain the standard of 96 per cent in stages. The Government of India have, accordingly decided to raise the standard to 95 per cent sodium chloride from January 1, 1957, i.e. for the production of 1956-57 salt manufacturing season, and to 96 per cent from January 1, 1958.

Mineral Oil in the Punjab: It is reported the Government of India propose to undertake detailed geological mapping and deep structural drilling in Jwalamukhi, Nurpur, Janauri and Dharamsala areas in the Punjab and Bilaspur district in Himachal Pradesh.

Protection to Ball Bearing Industry: Government have accepted the Tariff Commission's main recommendation that protection to the industry should be continued for a further period of four years, that is up to December 31, 1960. The Commission's recommendation that the duty on adapter bearings, assessable under I.C.T. item 72(37), be raised to 94½ per cent 'ad valorem' so as to bring it on par with the other protected types of ball bearings, has also been accepted and the revised rate of duty is being brought into force with immediate effect. Government have also accepted the Commission's recommendation that the import of aircraft bearings covered by airworthiness affidavits or release notes be exempted from the payment of so much of duty leviable thereon as is in excess of the rate specified under I.C.T. item 76, namely 2½ per cent 'ad valorem'. Customs Houses will, however, be free to insist on any further evidence to show that imported bearings for which the concessional rate of duty is required are of a type which is exclusively used in aircraft.

Protection to Power and Distribution Transformers: Government have accepted the Tariff Commission's main recommendation that protection to power and distribution transformers should be continued for a period of four years i.e. up to December 31, 1960 at the existing rate of protective duty of 10 per cent 'ad valorem' and that the scope of protection be extended to cover power and distribution transformers up to 3000 KVA and 37.5 KV on the H.T. side. Government have also accepted certain other ancillary recommendations of the Commission for assistance to the industry and propose to implement them as far as possible.

Protection to Plastic Moulding Powder and Buttons: Government have accepted the Tariff Commission's recommendation that the protection granted to the sections of the industry engaged in the manufacture of phenol formaldehyde moulding powder and plastic buttons should be continued for a further period of three years, i.e. up to December 31, 1959. Government have also accepted the Commission's recommendation that protection to the section of the industry which is engaged in the manufacture of electrical accessories should be discontinued after December 31, 1956, as the fair ex-works prices of electrical accessories are less than the landed cost (ex-duty) of comparable imported articles.

Standard for Water Closets: The Indian Standards Institution has issued a specification for enamelled cast iron water closets of the railway coaching stock type. Recognising this unsatisfactory position, the Indian Standards Institution has drawn up a series of six specifications for sanitary appliances and fittings, and the standard on water closets is the first of the series to be published by the Indian Standards Institution. The standards lay down the requirements regarding material, dimensions, workmanship, method of manufacture and finish for enamelled cast iron water closets

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of the type generally used in the coaching stock of the Indian Railways.

TRADE

India's Trade with Tibet: The Minister for Trade, Shri D. P. Karmarkar, stated in the Lok Sabha recently that India's exports to the Tibetan region of China during 1955-56 were valued at Rs. 2.64 crores as against her imports valued at Rs. 1.3 crores. The principal items of exports during the year were: provisions (food-stuffs)—Rs. 68.13 lakhs, cotton piecegoods—Rs. 52.4 lakhs, stationery—Rs. 33.7 lakhs, metals—Rs. 19.2 lakhs, dyes—Rs. 9.5 lakhs, sugar—Rs. 7 lakhs, hides and skins Rs. 10 lakhs, tobacco and cigarettes—Rs. 9.7 lakhs. Among imports the principal items were wool—Rs. 1.1 crores and pasham (goat fur)—Rs. 4.5 lakhs.

Export of Iron and Manganese Ores: The decision to regulate the export of iron ore and manganese ore during July-December 1956 on the basis of the quota held or exports effected during the period July-December 1955 was announced in a press note dated July 27, 1956. This announcement did not cover parties who had no performance or quota to their credit during July-December, 1955. It has since been decided that quotas may also be issued to such parties to the extent already announced on the basis of the quotas held by them or their performance during the period January-June 1956. Quotas for the State Trading Corporation for these ores will be issued by the Chief Controller of Imports and Exports within a ceiling of one-third of the total quantity to be allowed for export during this period.

Export of Fish to Burma: The Minister for Trade, Shri D. P. Karmarkar, stated in the Lok Sabha recently that it was understood that the Burmese Government had recently invited tenders for the import of 14,000 bags of prawns from India. The Minister said that the figures of exports of different varieties of fish were not maintained separately in the Seaborne Trade Accounts. Precise information regarding the position of the export of prawns from the Travancore-Cochin to Burma was, therefore, not available. The exports of all varieties of Indian fish to Burma declined from Rs. 1.38 crores in 1954-55 to Rs. 57 lakhs in 1955-56.

FINANCE

World Bank Loans: The International Bank for Reconstruction and Development (World Bank) has announced that during the just-concluded fiscal year it made 26 loans to 20 member nations. On a world-wide basis the loans totalled the equivalent of \$396.1 million, bringing the Bank's total gross loan commitments at June 30 to \$2,720.1 million. Among the countries receiving the loans are India, Pakistan, Algeria, the Federation of Rhodesia and Nyasaland, and Lebanon. The largest loan to a Middle Eastern or African nation was \$80 million. Another large loan was for \$75 million to the Tata Iron and Steel Company, Ltd. Two loans went to Pakistani projects last fiscal year, both announced on August 4, 1955. Since the inauguration of the World Bank, Pakistan has received loans totalling \$77,250,000 and India, \$814,700,000. In its annual report, the World Bank noted that Afghanistan and the Republic of Korea became members during the year, bringing the Bank's total membership to 58 countries. The Bank reported that, during the last fiscal year, its net income amounted to \$29.2 million, a \$4.5 million increase over the previous year. Loan commissions, during the year amounted to \$14.7 million. Both the income and commissions were placed in reserve, which now amounts to \$227,000,000. Part of this reserve is used against possible losses on loans. Of the gross total loan com-

mitments, a total of \$48.4 million was repaid by borrowers in the past fiscal year, making \$250 million the amount that had been repaid by borrowers on all Bank loans.

Subsidised Industrial Housing Scheme Grants: Loans and subsidies amounting to Rs. 99,360 were sanctioned by the Government of India during June, 1956, for the construction of 37 tenements under the Subsidised Industrial Housing Scheme. Of this amount the Government of Bombay will get Rs. 33,750 as subsidy and an equal amount as loan for putting up 25 one-room single-storey tenements at Billimora. The Mukti Nagar Co-operative Housing Society Ltd., Ahmedabad, will given Rs. 21,240 as loan and Rs. 10,620 as subsidy for building 12 two-room single-storey tenements at Ahmedabad.

Central Aid for Production of Better Quality Silk: Financial aid has been sanctioned by the Centre to a number of State Governments for implementing schemes for the production of better quality silk. For this purpose a sum of Rs. 1,11,850 has been sanctioned to Andhra. Assam gets a grant of Rs. 35,432. The State has been given three other grants amounting to over Rs. 19,700. For the purchase of raw silk testing apparatus, a sum of Rs. 20,250 as grant has been sanctioned to the State. Four demonstration sericultural farms are to be set up in Uttar Pradesh, for which a sum of Rs. 47,960 has been provided. For improving methods of preservation of mulberry leaves in the Hope Silk Farm at Hosur, Madras gets Rs. 4,000. For organising a central seed farm and a grainage at Mandi, Rs. 7,425 have been given to Himachal Pradesh. West Bengal gets two grants for the training of technical personnel in filature in Mysore and for an inter-State study tour by the technical staff of the State Government. Madhya Bharat has been given financial aid to invite to the State, experts in mulberry cultivation, silk worm rearing and silk reeling for advice on the development of the industry in the State.

Aid for Welfare Institutions: About 1,187 voluntary welfare institutions recommended by the State Social Welfare Advisory Boards were sanctioned grants-in-aid amounting to about Rs. 72 lakhs by the Central Social Welfare Board. Of these 173 institutions are in categories I and II, which are eligible for 5 year grants up to a maximum of Rs. 50,000 each. Nearly 131 institutions are in category III, which are eligible for 5 year grants up to a maximum of Rs. 25,000 each. The other institutions are in category IV and are eligible for annual grants up to a maximum of Rs. 3,000 each. The Board also sanctioned an amount of Rs. 53,000 as grants-in-aid to 4 organisations for running hostels in big towns for working women. Grants-in-aid amounting to Rs. 25,360 were recommended for 18 institutions engaged in welfare activities for the scheduled castes.

GENERAL

Electricity Output: During April, 1956, 701 public electricity supply undertakings generated 779.4 million kilwatt hours of power, of which 643.7 million kWh. were sold to ultimate consumers. The output was 19.1 million kWh less than that in March. Five Diesel generating undertakings, were the new additions during the month. The Diesel generating stations are at Giddalur in Andhra, Digha in West Bengal, Motihari in Bihar, Segwara in Rajasthan and Sanawad in Madhya Bharat. The hydro-generating unit is at Gandarbal in Jammu and Kashmir. The purchasing undertakings are at Lalbagh and Dewanhath in West Bengal. Power production and sale during April, 1955, were 688.6 and 563.9 million kWh and during April, 1939, 204.7 and 172.0 million kWh respectively.

NEWS IN BRIEF

INDIAN

Eleven schemes for development of inland water transport in Travancore-Cochin, included in the second Five-Year Plan, are estimated to cost Rs. 1 crore. A sum of Rs. 43 lakhs has been included in the second Five-Year Plan for the Trivandrum-Quilon canal and the Alleppey-Shertallai canal.

A new Extension Service is to be introduced in the Community Development areas under the second Five-Year Plan. So far the idea has been tried, with considerable success, in the field of agriculture. It is now proposed to extend it to village and small-scale industries.

During 1955-56, 9.21 lakh tons of manganese ore, valued at Rs. 10.72 crores, was exported from India.

Oil mill machinery for the value of Rs. 6,28,500 was manufactured in India during 1955.

The Government of India have approved a Five-Year Plan, costing Rs. 2.95 crores, for increasing coffee production from 26,000 tons to 35,000 tons per year.

A quantity of 20,000 lbs. of imported silk is supplied at present to the silk weavers of Banaras by the Central Silk Board every month. The silk is supplied through the Uttar Pradesh Industrial Co-operative Association, a nominee of the Uttar Pradesh Government.

The Government of India have decided to open a Trade Control office at Visakhapatnam under the charge of a Controller of Imports and Exports. This office will be under the administrative control of the Joint Chief Controller of Imports and Exports Madras, and will start functioning with effect from August 9, 1956.

It is reported land for the industrial estate at Kalyani has already been acquired and levelled. A loan of Rs. 2.4 lakhs representing the cost of the land, has already been advanced to the West Bengal Government and further amounts would be advanced as and when required by the State Government. The total cost of the scheme, is estimated at nearly Rs. 54 lakhs.

The first step in the implementation of the Rs. 69-crore multi-purpose Neyveli lignite project, in the South Arcot district of Madras State has been taken with the placing of orders for machinery and equipment for open-cast mining.

The Government of India have agreed to receive a technical mission under the joint auspices of the Colombo Plan and the Federation of British Industries to advise them on the development of heavy machinery and engineering industries in the country.

The amount sanctioned for the development of lighthouses, during the first Plan was Rs. 200 lakhs, and the amount spent out of this sum was Rs. 44,41,600. The total value of lighthouse equipment for which orders had been placed abroad was Rs. 21 lakhs, and this equipment was expected to arrive by February, 1957.

FOREIGN

The Sterling Area's gold and dollar reserves rose by \$20 million during July to \$2,405 million, their highest level since last August.

All-round increases in the productive capacity of Soviet industry and a 6 per cent rise in foreign trade for the first half of the year have been reported by Tass.

Ceylon had a favourable trade balance of Rs. 45 million—about £3.3 million in June, 1956, according to customs returns. The value of exports during June amounted to Rs. 169.9 million and imports to Rs. 124.9 million.

It is reported more persons were employed in the United States in July than in any other time in the nation's history.

Sweden will obtain from Germany 2 million tons of coal and 360,000 tons of coke during the year 1956-57 under the agreement signed in Stockholm recently.

The Aluminium Company of America and the Aluminium Workers International Union has signed a three-year contract covering 15,000 workers in nine company plants.

It is reported prices realised for Australia's main commodity exports in the year just ended were on the average 8 per cent below prices for 1954-55.

Canadian wood pulp production in June and in the first six months increased sharply compared with last year. Total output to the end June was 5,223,736 tons, up 305,037 tons from the 4,918,699 tons in the corresponding period of 1955.

Portuguese cements exports have this year been running at a level nearly three times that of last year. During the first five months of 1956 a total of 81,250 tons valued at 29 million cscs—about £362,000—was exported.

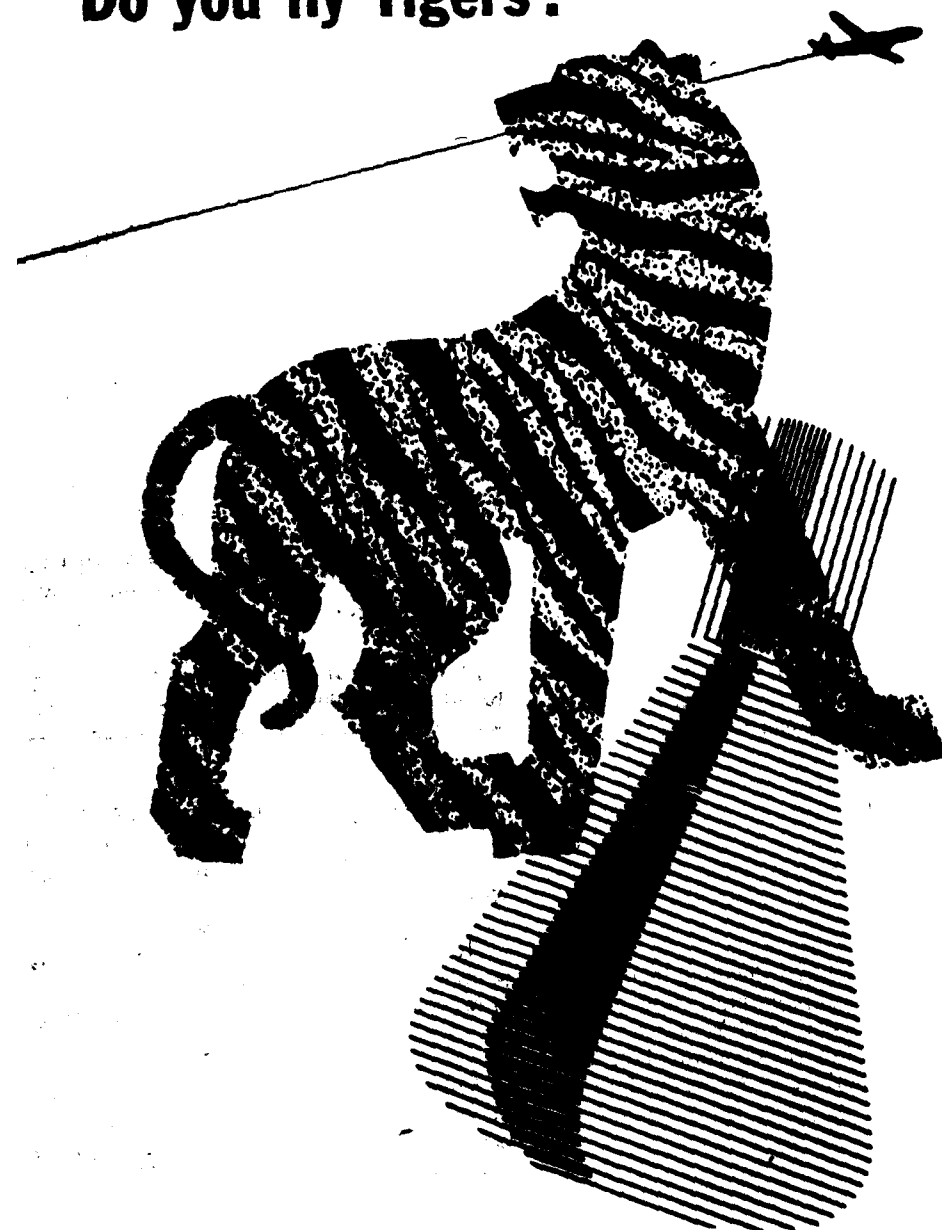
The Moroccan Government is considering minting a new currency which would be valid throughout Morocco, including the former Spanish zone.

The price of Alkathene (Imperial Chemical Industries brand of polythene) and its compounds is reduced by 3d. per pound. The new selling price is 2s. 11d. per pound. This is the third price reduction in three years.

According to recent figures Indonesia's balance of trade for the first quarter of 1956 showed a substantial deterioration as compared with the first quarter of 1955.

The overall trade between the British Caribbean countries and the UK in the first six months of this year was worth just over £70 million. This was an increase of £5.5 million over the first half of last year.

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A DELHI DIARY

ZERO HOUR IN DELHI

I SPEAK as one of the afflicted. It seems to me that this Independence Day in Delhi was less cheerful than usual as the result of the impetuosity of Mr. Gurmukh Nihal Singh, Chief Minister, and the other Ministers of the State Government. It seems they were determined to execute their swan-song in part on Independence Day; it gave them a patriotic feeling. The Prohibition 'of a kind' introduced means that alcoholic drinks will not be allowed in restaurants. In clubs, members, but not their guests, can be served liquor till March 31, 1957. What is to happen thereafter is mercifully undisclosed. There were two immediate consequences of this decision. The first was the reckless "last fling" exhibition on Monday. Tuesday, I should explain, for non-residents of Delhi, is a dry day so that 10 P.M. on Monday was zero hour in public restaurants. I cannot say that the manner of its celebration adds anything to the argument of those who say that alcoholic drinks do no harm. In one or two places, behaviour was deplorable.

Am I being unduly naive in this matter? I argue that, since Monday before last, there was no trouble and no trouble for 52 or 520 Mondays before that, the reasons for the deplorable exhibition last Monday must have been the State Government's orders. If the State Government's order produced this behaviour, surely it is appropriate to hold it responsible for the misbehaviour, and not the innocent, and otherwise neutral, alcohol which was imbibed. The fault was not in the alcohol itself, but alcohol combined with the time-schedule the Government of Delhi had imposed. Indeed, the principle of fixing drinking hours has, in every other country in the world, produced a thirst when these hours arrive. It has also produced an unwholesome desire to "rush down" drinks—the sole virtue of which lies in that, taken properly, they accomplish gently an atmosphere of good cheer. For all the misdeeds of fixed hours and restrictions, I hold the State Government of Delhi responsible.

I should state the case fairly. I am fairly sure in my own mind that the great majority of people in the Indian Union desire Prohibition. Almost certainly all the women of India do so; and I am told (on high statistical authority) this means something well over 50 per cent of the population. Again, as a result of Congress teaching over the whole Gandhian era I expect (on no statistical authority) that 25 per cent of the adult male population is now Prohibition-minded. It is doubtful, therefore, if more than 25 per cent of the people of the Indian Union think with me that Prohibition here is an error. To the extent that the voice of the majority must prevail in a democratic society, I suppose this decision is politically appropriate; but I still question it. I do not believe that democracy implies the tyranny of a majority over a minority. A decision must be overwhelmingly in the national interest for the tyranny of the majority to be exercised. In my view—and I should proclaim this from the housetops—if Prohibition is in the national interest, it has not been shown to be overwhelmingly so. 'Quod Erat Demonstrandum!' The State Government has, in introducing Prohibition in Delhi, been unwise and tyrannical.

There were agreeable occasions elsewhere. The Prime Minister was in good form at the Red Fort,

pointing, amongst other things, to the dangers of the month of August. I had not realised our peril before. History was also made in a minor way by the appearance of Maharana Bharat Singhji of Udaipur at the Red Fort. Maharana Pratap Singh, his distinguished ancestor, took a vow 350 years ago that the rulers of Udaipur would never set foot inside the citadel of Delhi so long as it was "under foreign domination". I wonder, however, why this was not done a little earlier. Independence Day in 1947 removed the operation phrase 'under foreign domination'. Anyhow all is now well and it was good that the leading house of Rajputana has no self-imposed ban in regard to movements in the Indian Union. I notice that this apparently trivial point won headlines in every Delhi newspaper.

EYES—SOUTH

The President was away in Madras carrying out what I think is now to be annual routine—spending a good deal of his time before and after Independence Day assuring the people of the South that they, too, are in his official mind. The President had made some happy speeches in Madras, endearing himself to the South, which has reason to feel a little aggrieved about the distribution of investment resources in the second Five-Year Plan. Soft words turn away (temporary) wrath, but some substantial modification of expenditure targets in the South will be necessary to deal particularly with rising unemployment in areas of unrest. Next time when the President goes South I recommend that he takes, in addition to his splendid bodyguard a Plan for the South. I can promise—as an obstinate Southerner—a much warmer reception. At the present time, I record the point that it is good that Delhi is waking up a little to the problems of the South. Heave knows a tremendous course in Public Relations (as well as Hindi) will be required for the South to take kindly to the removal of English as the official language in 1965. This course—unlike the Hindi campaign—has not yet begun!

A PROBLEM OF POPULATION

During the President's absence the Vice-President Dr. Radhakrishnan, functions for the President here. He was host at what I may describe as a truly enormous 'At Home' on Wednesday. I may, perhaps, be mistaken because the rain kept people away from the spacious lawns of the Rashtrapati Bhavan; much crowding in the public rooms produced an effect of vast numbers which might have been deceptive. I imagine, however, that the number of invitees to the Independence Day 'At Home' has steadily grown. A large number of people (tell this not in Gath!) stayed away because they argued that their absence would not be felt, and, indeed, with so many rooms so very full one can easily be assumed to be where one is not. Everyone receiving invitations came, I am told that the public rooms of Rashtrapati Bhavan would be quite inadequate for their reception. A fine statistical misdeduction for me that the population per square yard of the public rooms of the Rashtrapati Bhavan on 15th August was 25,000 times as dense as the average in the Gangetic Plain. Does that mean that Rashtrapati Bhavan was at that moment the most highly populated area in the world? I leave it to my learned statistical friend to answer!

ARGUS.

Special Article

ECONOMICS OF FREEDOM

By M. R. MASANI

THE other day I was talking to an esteemed old friend who holds high office and has a great deal of influence in the ruling party. Talking of the pattern of economic development in this country, he told me that, while he shared my dislike of the system of State Capitalism and State Landlordism as developed in Russia and China and was opposed to its establishment in India, he wanted the country to press forward towards the socialisation of all large-scale industrial enterprises and the establishment of co-operative farming. I was unable to convince my friend that the destruction of free enterprise and of peasant proprietorship must lead in India as in Russia to the same kind of monolithic totalitarian dictatorship as had developed under Stalin. "We shall not allow it to happen," he kept repeating with great sincerity but with what appeared to me to be a singular lack of realism about the fact that human nature is everywhere the same and that Lord Acton's dictum that absolute power corrupts absolutely applies to Indians as well as to other species of the human race.

Now, you must all have had experiences similar to mine with friends among socialists, trade unionists and college professors. I suggest it might therefore be worth our while spending the next few minutes in an effort to ascertain the validity of the assumption that a completely nationalised or socialised economy can co-exist with the kind of political liberty that is guaranteed by our Constitution and that we enjoy in practice today. I would like to discuss this with you, not for the purpose of enlightening you—since you need no such light—but rather to urge and encourage you to join in the enlightenment of the many in our country who are in need of it.

It may be felt by some that this is a somewhat academic exercise since nobody in India has yet suggested the complete socialisation of industry, trade and agriculture. While that is undoubtedly true, I venture to suggest that recent developments and trends do not justify too great a measure of complacency. The encroachments in recent weeks and months on services such as life insurance and trades such as the export of iron and manganese ore on the one hand and the distribution of cement on the other show how constant incursions are being made by the State in unexpected spheres. What is disturbing about these developments is not so much the entry of the State in these spheres, but the fact that in each case a monopoly is sought to be established. Where will this process stop? From the export of ores to the export of jute and from the distribution of cement to the distribution of cloth are not steps as distant as may be imagined. Even today, we have reached a state of affairs where a manufacturer cannot go in for the production of a new article without the permission of Government under the Industries (Development and Regulation) Act.

Alongside of all this, the Government of India has just sent to Communist China a delegation to study the methods of so-called agricultural "co-operatives" which are known to students of those developments to be nothing but the collectivisation of the land in accordance with the Stalinist pattern, which led in Russia to the liquidation of millions of peasants and is doing so at present in China.

In the light of these developments, I for one would hesitate to disagree with the 'Times of India' for writ-

ing editorially as it did a few months ago: "The point is whether, under the cloak of an avowedly socialistic pattern of society, the country is not being driven along totalitarian paths to totalitarian targets. . . . Few of us would like to see India converted either into a Communist or a fascist State, but the paths we are treading today seem to lead inevitably to that goal."

Having said this, let me make it clear that to my mind there are hardly any persons in office today or in control of the Congress Party who have any intention of treading the Soviet path. I am not questioning for a moment the democratic 'bona fides' of our planners. I am aware that all they seek to establish is a society fit for prophets to live in but with a marked aversion for profits. What is open to question is whether, by their support to certain policies actuated no doubt by the urge to social justice, they are not creating conditions whereby the liberties guaranteed by the Constitution may be imperilled. Yearning to do good, they believe they can preserve political freedom while hacking away merrily at its economic foundations. They may well be reminded of the observation of Lenin, who was an expert in the manipulation of power: "He who says A, says B".

Some of you may perhaps recall in this context the story of the Administrator of Price Controls in the USA during the last war. Someone once approached him with the proposition that the wage-price line need not be held quite so firmly and that just a little inflation would not do any harm. To this, the harassed official replied: "Well, Joe, you may be right. A little inflation may not do any harm. But the trouble is that having just a little inflation is like having just a little pregnancy—it keeps growing."

II

Let us now examine the widespread assumption that we in this country can sustain democratic government alongside of a State monopoly of economic ownership of industry, trade and agriculture.

First let us consider the effects of such a situation on the lives of the worker, the peasant, the investor and the consumer and the man in charge of industrial production. Today, the worker has a right to choose and change his job within the limits of his training and capacity. He can withhold or deny his labour, participate in collective bargaining and, if need be, strike work together with his comrades. If he should lose his job or the strike should fail, he finds other enterprises ready to employ him. In a society where the State is the only employer and every citizen willy-nilly a State employee, to what extent will these precious rights be preserved? Is there any reason to believe that, when there is only one employing authority in the country, it will permit an employee to throw up his job in an economic activity where he is performing a necessary function and allow him to shift at will to some other occupation? Is it likely that a State, exercising a monopoly of production and distribution, will permit its employees to go on strike and thus upset the National Plan?

Or let us take the peasant. Once he is a member of a collective farm or, for the matter of that, of a co-operative farm—the terminology will not make very much difference—is it to be expected that, when he finds the co-operative farm does not suit him and he

wishes to withdraw from it, the original plot of land which he was persuaded to surrender will be restored to him and he will be allowed to go his own way?

As for the small investor who survives, his freedom of choice will be restricted to one of two or more issues of a so-called "voluntary" State Bond to which he will be forced to subscribe. His plight may best be imagined from the report that has just come out from Czechoslovakia, about the finding of an unidentified corpse. The police report said: "Aside from two Government Bonds, no other signs of violence were discovered on the body."

In a free economy, it has rightly been said, the consumer is king. The consumer who today is, within the limits of his income, able to exercise a wide freedom of choice about how much he shall spend, on what he shall spend, and how much he shall save will then be faced with one universal seller from whom he must obtain all his wants. The range of goods offered to him will be decided and the price fixed by the State trading monopoly. If the quality or the price do not appeal to him, there will be no other brand of goods to turn to. To meet his basic needs, he must purchase or perish.

Today, thanks to the law of the market—the law of supply and demand—and the discipline of the balance-sheet, it is the consumer who decides for the entrepreneur 'whether' to produce and 'what' to produce. When a man buys something on the free market, he is casting his vote as a citizen of the national economy. He exercises a free choice which, by affecting the price, influences a decision as to how the economy shall be directed.

III

The exponent of the socialist pattern of society may concede all this but urge that from then on it is the people collectively who will decide through parliamentary elections what kind of planned economy they want. Let us examine this claim. Once the yardstick of profit ceases to operate, the question arises as to how those at the helm of the omnipotent State are to determine what goods to produce and what priorities to establish. In the absence of an impersonal economic law such as that of supply and demand, some other yardstick has to be found. What principles will help in the exercise of these wide and arbitrary powers?

In order to direct all our national activities according to a single plan, it will become necessary that every one of our needs is given its rank in an order of values complete enough to enable the planner to decide how many cattle are to be reared, what crops must be sown, how many buses and trucks are to run, which coal mines are to operate, and at what prices soap and toilet preparations are to be sold. When a choice has to be made between more milk for children and higher prices for the farmer, or between employment for the unemployed and better wages for those already employed, nothing short of a complete system of values will suffice. Can this be evolved democratically?

To say that the people will agree by a majority through parliamentary elections that there must be central planning is not enough. An agreement on central planning without an agreement as to social values and ends is rather like a group of people agreeing to take a journey without agreeing on where they want to go. In the result, they may all have to make a particular journey which most of them do not desire. A parliamentary majority may vote clause by clause on a Bill, but would not a parliament voting and amending a comprehensive plan clause by clause make nonsense of the plan? It may be as impracticable to draw up an economic plan in this manner as it might

be to plan a military campaign by parliamentary procedure.

That is why, when those who believe in total planning are honest, they concede that parliamentary democracy will have to be suspended for the duration of the plan. Lenin coined the slogan of "the dictatorship of the proletariat." Professor Harold Laski, more gentle, asked the question "whether in a period of transition to socialism, a Labour Government can risk the overthrow of its measures as a result of the next general election." Significantly, he left it unanswered.

Those of us who are in business and administration know that we cannot pull the manager out of his chair every little while, jettison his plans and put someone else in his place with different ideas as to what should be done. The very concept of planning, even in a single business, implies continuity of control. When the management extends over the whole field of the country's economic life, it must become an authoritarian apparatus. The persons who make it up may not want to be dictators, but the economy will go haywire if they do not accept that role.

It is obvious that in such a situation those who may claim to know all the facts, namely, the ministers and even more the experts, would alone be in a position to decide which of the different ends of planning are to be given priority. It is inevitable that in the end they would impose their personal or group preferences on the community as a whole.

In such a context, parliamentary elections become a mere form. When everyone is dependent on the government for his livelihood and the State can starve you to death, nobody dares to criticise. When insurance agents, cement distributors and ore merchants all become dependent on Government for their livelihood and canvass for the ruling party during the elections how may the Opposition be expected to fare?

Patriotism too will be mobilised on the side of the authorities. "Don't rock the boat." "Don't change horses in midstream." These will be the slogans with which the electorate will be intimidated. Only a few weeks ago, the Central Committee of the Communist Party of the Soviet Union answered criticism that had been advanced by foreign Communist leaders against those who had stood by and allowed Stalin to pursue his path of brutal terror and despotism. It explained that "the success of socialist construction and consolidation of the USSR were attributed to Stalin. . . . Anyone who had acted in that situation against Stalin would not have received support from the people. . . . Such a stand would have been regarded as a blow against the unity of the party and the whole State."

IV

Throughout human history, it has been established that only power restrains power. That restraint is expressed through the existence of an Opposition. The existence of a freely functioning Opposition is the acid test of a democracy for, when Opposition is destroyed, there is no longer any limit to the exercise of power by those in whose hands it rests. The right of public Opposition to the rulers of the day cannot, however, be kept alive merely by wishing for it or even by giving it constitutional guarantees. The existence of countervailing power can only be assured when there exist in society a number of what may be described as relatively autonomous "social forces." Such autonomous social forces are industrial management, trade, organised labour, the professions, the peasant proprietors and religion. It is only when these forces are not wholly subordinated to any one social force or to the State that there can be an assurance of liberty. For, only then will there be the mutual checks and

balances that are able to curb power. This conclusion of the political scientists has been proved in practice by the history of the Soviet Union, and there is no example yet known in human history to the contrary. Recently, commenting on the indictment of Stalin, Aneurin Bevan, the British leftwing socialist, took exception to the thesis of the "cult of personality" advanced by Khrushchev. "Stalin", he wrote, "became a tyrant because he was all powerful and not all powerful because he was by nature a tyrant. He grew into tyranny precisely because the character of the Soviet Constitution enabled him to do so." I would add just two words which Bevan's adherence to socialism did not permit him and would say: "Because the character of the Soviet Constitution 'and economy' enabled him to do so."

For, when we go to the root of the matter, is it not the concentration of economic and political power in the hands of those who rule the State that created the conditions for a Stalin, and would do so again? Strangely enough, there is confirmation of this point from none other than Khrushchev. In his speech to the Congress of the Communist Party of the Soviet Union, Khrushchev pointed out how Lenin and even Stalin, right through the twenties, refrained from total terror during the process of eliminating the privileged classes and establishing Communism. He then went on to say: "When socialism in our country was fundamentally constructed, when the exploiting classes were generally liquidated, when the social basis for political movements and groups hostile to the party had violently contracted.... 'then' the repression directed against them began. It was 'precisely' during this period (1935-1938) that the practice of mass repression through the Government apparatus was born, first against the enemies of Leninism... and subsequently also against many honest Communists."

Precisely. The need for terror, according to Khrushchev, had passed but so, alas, had also evaporated those autonomous social forces through which alone absolute power could have been restrained.

In case some of you should like to think of India as a kind of second Britain rather than Russia, I invite your attention to some significant admissions recently made by Mr. R. H. S. Crossman, British Labour Member of Parliament. Conceding that in the heat of battle the British Labour movement had accepted sacrifices of personal freedom as an inevitable evil forced upon them by the class war, Mr. Crossman frankly states the socialist dilemma. Referring to the socialist belief that "the only way to enlarge freedom and achieve a full democracy is to subject the economy to public control", he goes on to point out: "Yet, the State bureaucracy itself is one of these concentrations of power which threaten our freedom. If we increase its authority still further, shall we not be endangering the liberties we are trying to defend?" Mr. Crossman is candid enough to say: "Actually, the growth of a vast centralised State bureaucracy constitutes a grave potential threat to social democracy. The idea that we have been disloyal to our socialist principles if we attack its success or defend the individual against its incipient despotism is a fallacy." If already, with a mixed economy and in a country with such a deep tradition of democracy and individual liberty as Britain, a leftwing socialist is impelled to strike this note of alarm, how much more imminent must the danger be in a country like ours where that tradition of freedom is a tender plant which needs to be nurtured with great care and caution?

V

I have come to the end of my thesis, though not altogether, I hope, of your patience! I trust no one

will understand this to be a special plea for capitalism or an objection to all kinds of planning. To guard against such misunderstanding, I may mention that, as far back as 1946, I had delivered, in the series of Silver Jubilee Lectures organised by the Bombay University School of Economics and Sociology, an address entitled "A Plea for the Mixed Economy." That plea was made by me before the mixed economy became the accepted policy of Government and it is sad that I should today have to repeat it a decade later, at a point of time when the balance of the mixed economy is in danger of being destroyed and it would appear as if it is ceasing to be the policy of Government. I still believe that a Mixed Economy, in which Free Enterprise and State Enterprise each have an equal and autonomous role to play, functioning alongside of each other to meet the needs of the people, is the best possible system for this country both from the point of view of increased production and of equitable distribution. That, however, is a matter of opinion.

What is not a mere matter of opinion but a grim statement of fact is that if the balance of the mixed economy is further upset and we drift to a state of affairs where Peasant Proprietorship, Free Enterprise and the free Trade Unionism that stands or falls along with it are destroyed, then, however noble the intentions of those who pursue these policies and however great their love of justice and freedom, blow will have been struck at the free way of life that not even the Constitution of the Republic will be strong enough to avert.

It is not too late to stop such a drift. "It is seldom", said David Hume, "that liberty of any kind is lost all at once." What is necessary for those of us who love freedom and justice is to learn betimes to shift our fire and our aim from one threatening concentration of power and privilege to another in the changed conditions in which we today live.

It was part of the greatness of Mahatma Gandhi that he was early to sense this change. "I look upon an increase in the power of the State", he said, "with the greatest fear because, although apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress." His greatest living disciple, Acharya Vinoba Bhave, only recently followed up that warning in more concrete terms when he observed: "We cannot say people will be happy under State Capitalism.... In the name of the Welfare State, nothing should be done to centralise everything." India's leading socialist, Jayaprakash Narayan, who can hardly be charged with pro-capitalist views, has on his part declared that "the Welfare State under the name of welfare threatens as much to enslave man to the State as the totalitarian. The people must cry halt to this creeping paralysis."

I should like to think that there are many who share the concern I have expressed about the dangers that loom ahead and that they are just as anxious to ensure that our country and our people are protected from them. It is time for such men to act, for we live today in a climate where the passion for social justice and equality burns so strongly in many breasts that it blinds even otherwise intelligent and wise men from seeing where they are heading. One is reminded of the story of the mule that the farmer took to market and sold at a very low price—a good, healthy, upright, athletic animal. When the buyer, however, turned to drive away, the mule ran straight into a tree. "Look here", yelled the buyer, "this mule you sold me is blind". "No, he ain't blind", said the farmer, "he just don't give a damn!"

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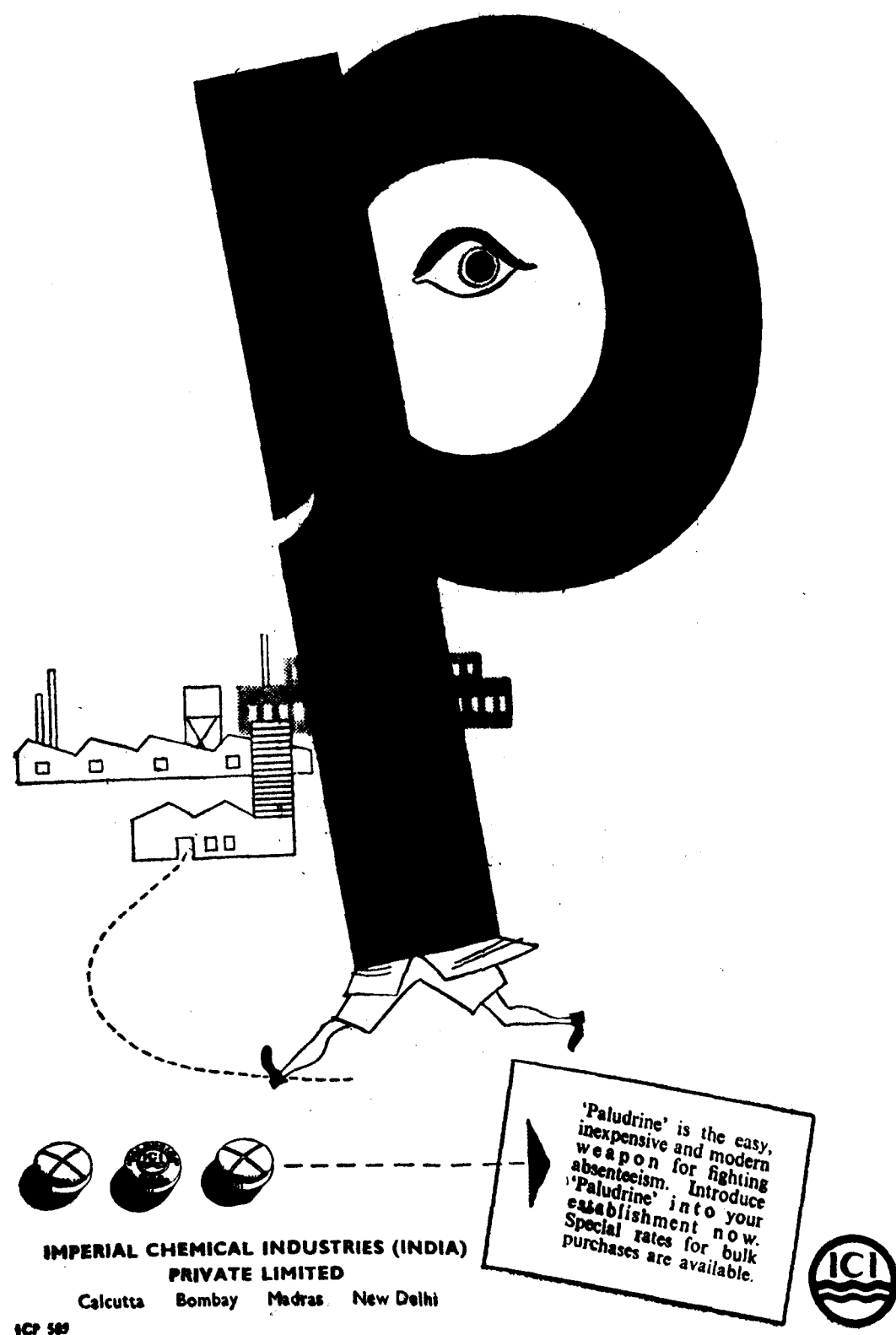
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A Letter to the Editor

THE ECONOMICS OF RAILWAY RATES

Sir,

In your article on the "World Bank Mission's Report" appearing in your issue of 3rd August you have commented on the Mission's suggestion to review railway fares and mentioned certain reasons why this is not feasible. In effect your argument amounts to this: whatever the appropriate cost of a service the rate to be charged should not be based on it but on extraneous considerations like political opposition, deterioration in services, over-crowding, injury to small industries etc.

I am afraid this is not a sound economic policy. A service must be absolutely self-supporting and its charge must be inclusive of all components, like interest on investment, depreciation on assets, repairs, running costs, incidentals, management and a reasonable provision for development. The users of this service have to pay whatever the actual cost amounts to under these heads and have no business to ask for a reduction on account of extraneous considerations. Any departure from this principle will lead to endless complications in an economy which has been relying more and more on the public sector and it will be difficult, in course of time, to resist pressure from the users of electricity from Government undertakings, agriculturists using Government irrigation water, farmers requiring Government fertilisers and the public depending on Government antibiotics. As the size of the public sector grows such demands also will grow. Above all by not charging the actual cost the services concerned will be depriving the public of opportunities to judge whether they are being run economically on sound lines or not. The so-called "political opposition" has really no locus standi in an economic proposition and the near-bankruptcy from which many of our local bodies have been suffering by not raising their rates and taxes for fear of this opposition should be a pointer.

Then, there are other grounds also. When certain road services were nationalised the authorities concerned raised fares to economic levels. Why should not the same principle apply to the railways? When the cost of shipping went up Government authorised rightly an increase in their fares. Why should they hesitate to do the same in the case of the railways? During the 20 years 1934-35 to 1954-55 the tax-incidence per motor vehicle in the country was as follows:

1934-35	..	..	..	Rs.	567
1939-40	..	..	..	"	808
1944-45	..	..	..	"	611
1949-50	..	..	..	"	1,115
1954-55	..	..	..	"	1,906

If taxation alone on one service can be increased to nearly 4 times in 20 years, one fails to see what justification there is for not raising the railway rates if they are not economical. As between railways and roads, the latter serve the poor people more than the former; hence, it is no use sheltering one of them and exposing the other. Much of the so-called political opposition springs from the fact that owing to the failure of our Government to hold the scales evenly among various transport services in the country the public have been wedded too much to the railway idea but they do not seem to realise that they have been facing a pistol levelled at their heads to demand an ever-increasing allotment on the railways.

It may be worth somebody's while to find out how much of the amounts which are being spent at present on the rehabilitation of our railways would have been saved to the country had our railway freight rates in the past left enough margin to carry out promptly repairs and renewals when they were due. Then there is the consideration about conserving the country's assets. It was mentioned last year that "with 1,300 fewer locomotives, 3,000 fewer coaches and the same number of waggons as in 1939 the railways were carrying 100 per cent more passengers and 60 per cent more goods". A strain of this nature is bound to deteriorate our assets to a much greater extent than can be covered by normal depreciation allowances. If this difference is not made good by an increase in rates, our future generations will be burdened with a heavy capital outlay. It has also been mentioned that unlike road transport the railways do not pay special sales tax like that on road vehicles and no income-tax also. If this be so it is a form of indirect subsidy. The interest on investment paid to the General Exchequer is a legitimate charge to be covered by rates as mentioned earlier and cannot justify an exemption from taxes payable in the normal course as a commercial undertaking.

Your point about disorganising the present set-up by drastic changes in the railway freight structure is important. Here some via media will have to be found but if it entails an indirect subsidy in some form, as it must, then it is only fair that in the interests of the consumer, it should apply to all modes of transport.

Yours faithfully,

B. V. VAGH.

[The question is what is an "appropriate" cost. We have never advocated the selling of railway services below cost. The Indian Railways run at a profit, not a loss. "The Eastern Economist" considers that capital formation should not take place via "inappropriate" charges for railway transport.—Ed.]

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Economic Report from the U.S.

ASSESSMENT OF AMERICAN ECONOMIC SYSTEM

(BY GUY SIMS FITCH)

WASHINGTON, Aug. 14.—Two particularly interesting news items came across this writer's desk this week. They had to do with the economic gains registered by the average man in the United States. But they came from very different sources—and putting them together adds up to a highly significant assessment of the American economic system. For on the very day the US Department of Commerce was reporting that the purchasing power of American consumers had hit an all-time peak, a correspondent in Moscow was reporting that 'Kommunist' probably the highest theoretical journal in the Soviet Union, had grudgingly admitted that American workers under their free enterprise system have somehow managed to improve their living standards. This Communist concession marks a surprising, though realistic, retreat from the orthodox Marxist dogma about the "impoverishment" of the people under capitalism.

It would be too much to expect, of course, that theoreticians reared on Communist doctrine would be able to shed completely their old, and by now somewhat tarnished, concepts. And according to the report from Moscow, the magazine 'Kommunist' goes to some lengths to reconcile the high living standards of American workers with Marxist views. Why, for instance, do more than 35 million American families—three out of four—own automobiles? Because, says 'Kommunist' American workers have to travel some distance to their jobs. The magazine does not explain how workers in the United States can afford the expense of buying and operating automobiles. For does it mention the fact that Americans often live far from their jobs because so many of them have bought new homes in suburban communities. For 'Kommunist' enlightenment, it could be noted that 60 per cent of American families now own the homes in which they live—and the number is constantly growing.

'Kommunist' also tries to explain away the fact that 35 million American families own television sets. Radio and television, it observes, have become highly important to the average American in this modern age—as important, in some respects, as his daily newspaper. Such material acquisitions as automobiles and television sets are not the only aspects of American society 'Kommunist' finds it necessary to explain. As living has become more complicated, it says, American workers have had to increase their outlays for education—thereby quickly disposing of still another feature of modern US life.

As a matter of fact, this Soviet journal goes so far as to criticize those Communist economists who have been following rigidly, despite all evidence to the contrary, the outmoded Marxist doctrine that workers in "capitalistic" United States get less and less in real wages each year. But 'Kommunist' consoles them, and itself, with the thought that business profits resulting from the labour of Americans are increasing faster than real wages are growing. Thus, it says, there is a "relative" impoverishment of the American working man—managing to maintain, at least semantically, some semblance of traditional Communist dogma. But the editors of 'Kommunist', I fear, also have managed to leave some highly pertinent facts undetected. If

they were to consult this week's report by the US Commerce Department, for instance, they would find that the real disposable income of American consumers—income after taxes and adjusted for slight changes in the value of the dollar—is 6 per cent higher today than it was a year ago.

If they were to take an even longer look at statistics that should be readily available to them, they would find that in the past half-dozen years real disposable income in the United States has risen steadily from \$229,500 million in 1950 to \$270,000 million in 1955. After-tax profits of American Corporations, on the other hand, aggregated \$22,100 million in 1950, their all-time high; in 1955, they came to \$21,100 million.

This hardly constitutes any "impoverishment" of American labour, "relative" or otherwise.

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The Business World

THE PLAN FOR COFFEE DEVELOPMENT

WHILE the targets of increased production for the second Five-Year Plan have been fixed for most of the plantation crops including tea, cashewnuts, black pepper, coconut, arecanut, and so forth, no target has been assigned for coffee. This omission, however, is by no means accidental. Clarification has been given in the plan and it has been disclosed that a programme for the development of coffee extending over a period of fifteen years was still under examination by the Coffee Board. It was, however, assumed that the increase during fifteen years should be 23,000 tons, from 25,000 tons to 48,000 tons. This increase was to be divided further into 10,000 tons to be achieved by intensive cultivation and rehabilitation of existing plantations and 13,000 tons through programmes of reclamation and fresh plantings.

Very recently the Coffee Board issued a Press Communique which gives certain details of the plan of five-year development for coffee coinciding with the current plan. Chief among them are the interesting particulars about financial allocations for the programme of expansion. It is, however, significant that the Press Communique does not make any mention whatsoever of the physical targets, in terms of increased output, to be achieved in respect of the two varieties of coffee. Perspective planning in the case of coffee over a period of fifteen years may have its own valid justification. Probably, the plan of investment has to take a long-range view. But certainly the financial resources which are intended to be provided for the programme of expansion in the second plan-period cannot be unrelated to physical targets. Can it be that the Coffee Board has preferred not to announce the production targets in the Press Communique? If so, this is a vital omission and it is desirable that the full plan for the five years, constituting the first phase of the fifteen-year plan which it has investigated, should be unfolded. Unless this is done, it is difficult to make an assessment of the short-term plan for five years as now adumbrated by the Coffee Board. Even this plan must give an assurance that outlay to be incurred will be reflected in physical output.

The five-year plan for coffee, as approved by the Government of India, realises the necessity of providing financial aid to planters according to their capacity to find out resources for expansion. An aggregate amount of Rs. 2.47 crores has been earmarked for the purpose of grant of loans to be spread in instalments over the period of five years. These loans are divided into two classes: (1) for intensive cultivation and (2) for opening up new areas for fresh plantings as well as for reclamation of abandoned areas. The basis of loans will be Rs. 500 per acre for the group between 5 and 25 acres under Arabica cultivation and Rs. 375 per acre in the same acreage group under Robusta cultivation. These loans are meant for intensive cultivation. In addition, the acreage group between 25 and 50 under Arabica cultivation will get loans at the rate of Rs. 750 per acre spread over five years. In the case of schemes of extensive cultivation by means of plantings in new areas and reclamation of old ones, the rate of loans has been fixed at double the rate for schemes of intensive cultivation.

The interest to be charged will be 6½ per cent per annum to be collected from the second year of the loan, while the principal will be repayable from the sixth or the seventh year. Estates below 5 acres will have to organise themselves into co-operatives if they intend to qualify themselves for the loan assistance. The

plantation group between 50 and 100 acres has been offered financial assistance by way of accelerated payments from the Pool. Estates above 100 acres are supposed to find their own resources for development. This scheme is likely to be criticised as unsatisfactory in certain respects according to the need of individual estates or estates in particular areas. But on the whole it can claim to be equitable and it should be remembered that it has to take account of administrative feasibility.

Selected seeds bearing the qualities of high yield and resistance to disease will be distributed to planters and for this purpose the Research Department will set up zonal seed blocks. Small planters below 25 acres who pool their coffee at the Board's Collecting Depot will be supplied with fertilizers and chemicals. Likewise, there is a programme of assistance to small estates working on co-operative lines to turn out greater quantities of parchment coffee. The Research Department has been charged with the task of extending its activities over additional demonstration plots in each coffee zone and to intensify its contacts with the planting community through its liaison officers.

Production of coffee in India has made considerable progress as compared to the pre-war conditions. From a total output of 17,900 tons in 1938-39 output jumped to 33,410 tons in 1955-56 according to the present estimate. There were undoubtedly periods of violent fluctuations in production, for instance, from a level of 25,000 tons in 1945-46 there was a steep fall to 15,300 tons and 15,800 tons in the next two years. The year 1950-51 again saw a sudden drop of 1,400 tons below the output of the previous year. But in recent years, and particularly during the first Five-Year Plan, the growth in production and acreage has been steady. This is borne out by the following table:

ACREAGE AND PRODUCTION OF COFFEE IN THE FIRST PLAN

Year	Acreage	Production
1951-52	2,35,443	21,235 Tons
1952-53	2,40,038	23,565 "
1953-54	2,46,600	29,410 "
1954-55		27,080 "
1955-56	2,64,300	33,410 "
		(Estimate)

In the absence of any available particulars about the phased programme in the expansion of acreage and production, contemplated in the second plan period, no comparisons are possible, much less is it practicable to judge what the contemplated order of financial assistance is going to achieve and whether it would be adequate or not.

India has an insignificant share in the international coffee market and much of the growth of her coffee industry in recent years is due to the development of internal consumption. Nevertheless, the price structure of coffee in this country is influenced to a considerable degree by the prices in the international market. Roughly it may be stated that internal prices are around 50 per cent below the international prices. This encouraging situation has enabled the country to push up its exports whenever the surplus position warranted such a course. Export prices have been used as an important criterion in fixing the prices to be paid to the grower. This dependence of the price

mechanism inside the country on external prices makes it vulnerable to adverse effects of a sudden drop in international prices. If India is to stabilize her position in the world market as an exporter in a small way, there must be a continuous flow of exports to enable blenders abroad to accept high grades of Indian coffee for popular coffee blends. How far the coffee plan aims at expanding the export is not clear. But it should be recalled in this context that Brazil still retains her position as the largest supplier in the international market and certain countries of Africa have suddenly emerged in the post-war period as the second largest group of suppliers.

WHY THIS ENCROACHMENT?

By
CROESUS

WHEN well known foreign authorities on public administration like Mr. Paul Appleby have been urging more, decentralisation and when international expert bodies like the World Bank are suggesting that the private sector in India should be allowed to give of its best, to the extent possible, for ensuring the success of the second Five-Year Plan, it is rather unfortunate that the powers-that-be in our own country should be inclined in precisely the opposite direction in their misguided enthusiasm to usher in the millennium of a socialistic structure of society. Nowhere has this been so glaringly apparent as in the Government of India's latest move to enter the trading field, all because the Union Ministry of Commerce and Industry chose suddenly to give birth to its 'enfant terrible', the State Trading Corporation. It is not strange to find, therefore, that even a person like Mr. S. K. Patil, the veteran Congressman of Bombay, found it necessary to appeal to Government last week-end to allow some scope to the private sector and to warn them that they should be especially wary in nationalising those sectors of private enterprise which have been acquitting themselves creditably. "Too much of bureaucratisation", he said "would endanger parliamentary democracy itself". He made these observations in the course of his presidential address to the All-India Mineral Convention (A.I.M.C.) If just a press note—even if issued cavalierly, as alleged—could bring together such a large conglomeration of individuals to protest against its contents, there must certainly be "more than meets the eye" in that press note. This is, indeed, so, to judge from the welcome address of Mr. Natwarlal S. Worah, Chairman of the Western India Metals' Association and the eight resolutions that were passed unanimously at the Bombay Convention.

This is clearly a case of righteous indignation. The manganese interests—miners and traders—may not all be angels. If they were, they would not be in that trade or industry nor be fretting and fuming almost helplessly against the ukase of an admittedly powerful Ministry of the Government of India today. But it seems to me, from the trouble I have taken to study the case in all its details, that here is a section of free enterprise that is being victimised for no lapse that has been unequivocally established and for ends that are hardly likely to be achieved. I am convinced that the interests assembled at the Bombay Convention have established this beyond a shadow of doubt. What is more, they have been sport enough to assure the authorities that they would achieve all that the latter want and more, provided they are given a free hand. As a matter of fact, they seem to be more keen and, of course, also more realistic than Government themselves on ensuring the success of the second Five-Year Plan, and some of them at least honestly believe that India would receive a tremendous setback if the Plan should fail and seriously mean to lend all their weight to ensure the success of the Plan. Thus, in the very first resolution adopted by the Convention, it is con-

For several years to come, the mainstay of the developing coffee industry in India will be the internal market. It means that propaganda for the popularisation of coffee will have to be intensified all over the country except in the South where it is already an indispensable daily beverage. This raises also the problem of storage facilities because of two reasons—the susceptibility of the commodity to deterioration and possible contingencies of holding large stocks longer than the normal seasons. Even at the present time storage facilities are utterly inadequate. How far has the plan, as prepared by the Coffee Board, taken account of these factors? Clarification seems necessary.

tended by the A.I.M.C. that "the Government policy in the main has been ostensibly actuated by a desire to earn more foreign exchange and also more revenues to fill the gap in the finances required for the second Five-Year Plan" and that it (the Convention) is "fully appreciative of these objects, and declares that it has the desire and capacity to achieve these objects, if given the goodwill and co-operation of the Government". Being anxious to co-operate, the A.I.M.C. has pointed out in its second resolution that "Government's action of issuing quotas only tends to reverse the process", and it is only because of this, goes on the same resolution, that "there should be no restrictions for purposes of export and any goods lying at the port, now or hereafter, should be freely licensed". It is also noteworthy that, although these interests are opposed to any Government curb on their rights to transport their ores to the port, they do not oppose export quotas if the wagon situation warrants it any stage.

I have no space to reproduce here all the resolutions adopted by the Bombay Convention, but have instanced the ones above just to indicate what struck me as an approach at once constructive and co-operative. If those whose very means of livelihood are at stake ask to be given an opportunity to be heard before they are condemned and if they want to know the worst that is to befall them yet, if anything further remains, they may well be pardoned.

It is an excellent idea of the Federation of Indian Chambers of Commerce and Industry to have convened a conference of all the interests concerned at Delhi on the 24th instant. Since this would fortuitously provide an opportunity for these interests, to meet the Union Minister for Commerce and Industry and the Prime Minister to place before them their genuine grievances, the Bombay Convention did well to resolve that they be given an audience for the purpose. Few can appreciate and understand the private sector's point of view better than Mr. T. T. Krishnamachari, and I have no doubt whatever that he will readily see the point that the mineral interests have to make and redress their grievances. I am convinced that, as between the S.T.C. and the private manganese interest, the latter will any day be better able to raise production, earn more foreign exchange, and even add to the revenues of the exchequer. By the way, if the Government of India wants more revenue, why should it not revive the export duty, a far simpler course? Although I know the interests concerned would resent such a suggestion, there would appear to be a case for it, now that manganese prices have fully recovered from their slump level, when the duty was abolished. I only hope the authorities will not single out only this suggestion of mine for prompt action and conveniently pay no attention to the others. In that unfortunate event—God forbid it—the only thing that would remain to be done is to write an epitaph on India's manganese industry and allied interests.

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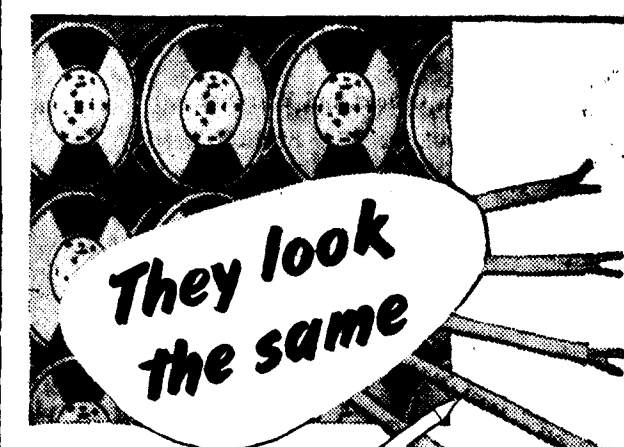
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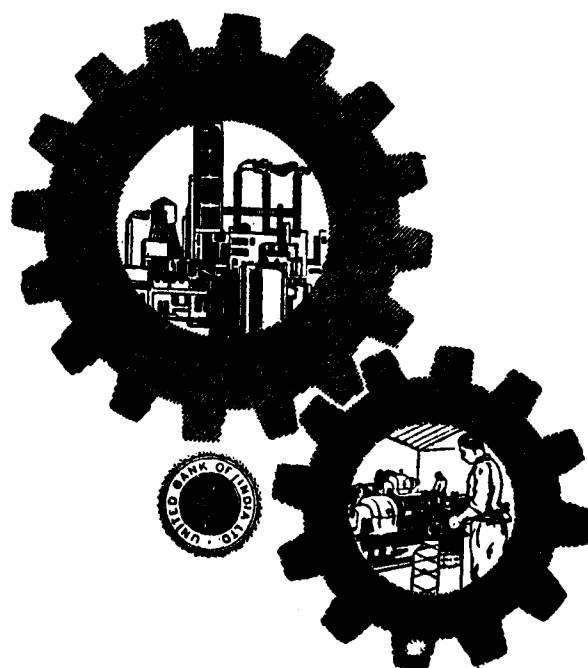
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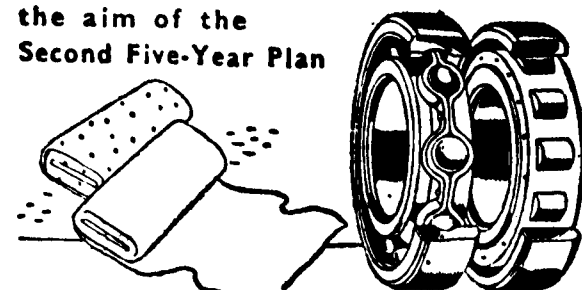
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BUSINESS NOTES

FIFTEEN STATE LOANS

LAST THURSDAY'S announcement about the State Governments' issue of loans for the current financial year, read in conjunction with the Central Government's combined issue of three loans, should serve to give a sufficient indication of the policy on public loans during the second Five-Year Plan. It is now clear that a vigorous programme of loans is being launched and it could hardly be otherwise in view of the scheme of raising resources for the current Plan. The cautious attitude with which the Central and State Governments approached the money market in the period of the first Plan, it is clear, is to be changed for a bolder loan programme.

The total target of the loans announced to be issued by the fifteen State Governments is of the order of Rs. 64 crores out of which Rs. 5.25 crores are allowed to be subscribed by conversion of the 3 per cent 1956 loans of the Governments of Bombay, Madras and Madhya Pradesh and 3½ per cent 1956 loan of the Government of Travancore-Cochin. The cash subscriptions aimed at, therefore, amount to Rs. 58.75 crores. The rate of interest offered is uniformly fixed at 4 per cent in keeping with market expectations and another point to be noted in this respect is the liability of interest receipts to payment of income-tax. The yield is certainly attractive and there is little ground for scepticism about the success of the issues. Out of the fifteen issues, six loans offered at an issue price of Rs. 99.4 will give a current yield of 4.03 per cent and a redemption yield of 4.08 per cent, another batch of six loans with an issue price of Rs. 99.8 would offer a current yield of 4.02 per cent and a redemption yield of 4.05 per cent, the one loan with the issue price of Rs. 99-12-0 will fetch a current yield of 4.01 per cent and a redemption yield of 4.03 per cent.

While the optimism of the public sector about the success of its bold approach to the capital market need not be called in question, its effect on the raising of resources from the market for the overall demands including those of the private sector must cause genuine concern. The cash subscription to the recent Central loan has been of the order of Rs. 77.21 crores. The cash target for the State issues amounts to Rs. 58.75 crores. It will be recalled that last year the cash subscription to State loans was pitched at the modest figure of Rs. 29.40 crores and within a month they re-entered the market for another Rs. 11.75 crores. It is significant that this year the State Governments reserve the right to retain 10 per cent in excess of the loan amounts fixed which means that an additional Rs. 6.4 crores will be accepted, pushing the aggregate cash subscription to Rs. 67.15 crores—only Rs. 10 crores below the new loans of the Central Government. With conditions in the money market already showing tightness and new statutory powers being forged to clamp effective curbs on bank advances, the task of the private sector to raise finance for development in the second Plan is becoming increasingly difficult.

A CORRECT DECISION

THE LATEST decision of the Indian Jute Mills Association to re-seal 5 per cent of the looms of its member mills, effective from today, restores the position of looms put out of production to the original state before the bold experiment of gradual unsealing of looms was undertaken early this year. The ratio of looms now kept out of commission is 12½ per cent of the total loomage. In criticism of this fresh decision, a certain

section of business opinion has argued that it was taken in haste, American burlap demand was rising, looms engaged in production of sacking could change over partially to hessian manufacture and with the arrival of the new jute crop in the market anxiety on this score would be removed. It is difficult to accept the validity of this criticism. The stark realities are that stocks of manufactured jute goods at the end of July this year rose steeply to 135,800 tons, or 100 per cent above the stocks at the beginning of the year, while in regard to raw jute stocks the situation is critical. The above criticism ignores the impact of time-lag and it is anybody's guess how adequate and effective would be the suggested reliefs. The alternatives before the IJMA were: Should it readjust production to demand by strict regulation of the ratio of active loomage or should it persist in the experiment of unsealing and expose entire marginal units to the real risk of total closure? On balance, it has opted for the right course.

HIGHER PRODUCTION TARGET FOR COTTON

IT IS often pointed out that the targets in the second Five-Year Plan in respect of some industries are rather on the high side and that, therefore, these may have to be scaled down in the light of experience. A notable exception to this, however, is provided by cotton and cotton textiles. Following the all round improvement during the 1955-56 cotton season, it seems possible not only to reach the target assigned but even to raise it, and that ahead of the time schedule. It is this important aspect that was appropriately high-lighted by Mr. Madanmohan R. Ruia, President of the Cotton Buyers' Association, at the Nineteenth Annual General Meeting of the Cotton Buyers' Association, held in Bombay on August 8, 1956. The observations of Mr. Ruia on this point are invested with especial significance, inasmuch as he is not only the President of the Cotton Buyers' Association but also the Chief of the East India Cotton Association.

Giving a resume of the events during the Indian cotton season 1955-56, which is fast nearing its end, Mr. Ruia stated, in so many words, that India can well afford to raise the target for cotton production by as much as ten lakh bales. There has been a distinct improvement in the consumption of cotton, and, in order to keep pace with this steady improvement, he argued, there should be a corresponding acceleration in the production of cotton as well. It is relevant to record here that the pattern of consumption trend in cotton in India is of a piece with that of the world as a whole. World cotton consumption recorded a substantial increase in the 1954-55 season, as compared to the previous season, as vouchsafed by the International Cotton Advisory Committee, Washington. According to this world body, world cotton consumption has improved by as much as 400,000 bales. Against this world background and the complementary Indian experience, the significance of a parallel improvement on both the production and the consumption trends cannot be over-emphasised. Proper and careful attention given to both at this stage should result in striking a healthy equilibrium between supply and demand of this vital commodity of world trade. At least it would safeguard the country against the complications of unmanageable surpluses, which, as everyone knows, have been defying all attempts at solution in the United States.

Another important point which Mr. Ruia made in the course of his speech related to exports of cotton. It is noteworthy that he was full of praise for the Union Government's co-operation in this regard. In

the past, the blame for any indifferent performance on the export front used always to be placed squarely on the shoulders of the Government or at the doors of its unrealistic export policy. If only for this reason, Mr. Ruia's unqualified praise for, and his description of Government's policy as realistic on this occasion gain added significance.

The C.B.A. chief also availed himself of the opportunity to make a mention of the latest export quota release, announced by the Government, in respect of 20,000 bales of Bengal Deshi cotton. The trade has no doubt welcomed this, but one notices there has not been the usual warmth that is generally associated with the reception to releases of quotas in the past of a similar nature. The reason, however, is not far to seek. In the first place, India has now to compete with America in the overseas markets. The USA, as everyone knows, is engaged in a dead-earnest campaign to dispose of her surplus cotton at very cheap rates. Secondly, it is problematic whether this quota can be fully utilised within the stipulated time, by reason of the scramble for shipping space that is prevailing today. This is rather unfortunate, considering how keen Government is on mobilising exports, by all possible means, as is evidenced by the recent prompt revalidation of licences which are yet to be utilised. It would appear that the unutilised licences issued during the current season would account for about 90,000 bales of cotton. By a recent notification Government have revalidated half of this to be exported.

In view of the unmistakably unenthusiastic response of the trade to the latest export announcement as revealed by the dearth of enquiry, it is possible that Government might review their export policy; possibly, the present export duty on cotton of Rs. 50 per bale may be reduced, or even abolished altogether. If this is done, it should go a long way towards enabling India to compete with foreign cotton, especially cheap American cotton. The authorities would also do well to extend the revalidation facility to the remaining half of the 90,000 and odd bales of cotton, licences for the bulk of which too have not been fully utilised.

UNCERTAINTY OVER MOTOR TRANSPORT NATIONALISATION

INTRODUCING THE motion in the Lok Sabha for reference of the Motor Vehicles (Amendment) Bill to a joint select committee, Mr. O. V. Alagesan expressed strong hope that the clarification which he had given on the question of nationalisation of motor transport services would suffice to remove all doubts and uncertainties in the minds of private operators and they would have no reservations in undertaking schemes of expansion of road services with confidence and enthusiasm. This assertion undoubtedly makes an unwarranted claim for putting Government's policy on nationalisation in a crystallised form beyond the range of doubt and apprehension. Earlier in the course of his speech the Minister made a categorical statement reminding the motor transport industry that nationalisation of passenger services had come to stay and "nobody can wipe it away". Carried to its logical conclusion it means that the nationalisations of the remaining private sector of passenger services was only a matter of time. The facts as disclosed by Mr. Alagesan are that seventy-five per cent of the passenger services remain under private auspices, but funds for further nationalisation during the second Plan are limited. If this is so and the position is unlikely to improve suddenly from the angle of the public sector after the present Plan period, what harm is there in preparing the positive plans for

nationalisation in each State and giving long-term assurances to operators on routes which cannot be nationalised?

But infinitely more important is the question of the future set-up of freight services. Here again the Minister gave a very qualified assurance when he announced that goods motor services would not be nationalised for five years more. It is not clear whether Bombay has abandoned its contemplated decision to nationalise them. Bombay's position must be restated with clarity. Five years' tenure is too short to induce private operators to invest heavy sums in freight services with uncertain prospect for the future and for adequate compensation in the event of nationalisation. There is absolutely no reason why an unequivocal policy statement should not be made that priority in nationalisation will be given to passenger services where there is ample scope for such a course for a considerable time to come and freight services will not be nationalised in any situation for the next 20 years. This is one effective remedy to attract large-scale investment in freight services whose rapid expansion is indispensable to save a breakdown in transport.

PROSPECT FOR THE SOAP INDUSTRY

IT WILL be bold to rush to the conclusion from certain recent trends that the prospect for the soap industry is one of unhindered prosperity. The Indian component of the industry has no doubt demonstrated its capacity to respond to the challenge of competitive conditions. Thus the Tata Oil Mills Company have achieved success in pushing up their sales even in new areas in which task quality and salesmanship had to be pressed in the race with the leading enterprise. The gloomy period of stagnation for the organized sector extending over four years was broken in 1955 when production registered an increase of 12,000 tons to 1,00,000 tons. The combined output of the organised and cottage sectors exceeded the target of the first Five-Year Plan by 20,000 tons touching the 2,20,000 ton mark. For the organised sector, the target for the second Five-Year Plan has now been revised and raised from 1,20,000 tons to 2,00,000 tons. But it must be remembered that this increased target falls short of installed capacity. The gap represented by unused capacity will not be closed.

Cheap soap is one of the effective answers to the challenge posed, but it has been rendered impracticable by recent additions to costs. The fresh excise duty of Rs. 70 per ton on all vegetable non-essential oils levied this year and the increase in coastal and overseas shipping freight rates by 5 per cent and 10 per cent respectively have resulted in putting up costs. Mr. J. R. D. Tata disclosed at the last annual meeting of the Tata Oil Mills Company that the increase in these two ingredients of costs for the company would be around Rs. 13 lakhs. There are, however, certain redeeming features in the situation, so far as it concerns the organized sector. With the withdrawal of the exemption from excise duty granted to soap factories which used no power or process steam one cause of discrimination and handicap has been removed. The Sixth Amendment to the Constitution will now make it feasible to impose sales taxes in inter-State trade at uniform rates and also secure reasonable rate of tax for intra-State trade. The final outcome of these factors, operating in opposite directions, however, is to engender a feeling of caution not unmixed with anxiety.

COMPANY AFFAIRS

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After meeting all expenses and providing Rs. 3,44,297 for depreciation, the Company's trading for the year ended December, 1955, has resulted in a profit of Rs. 7,55,615. Adding to this Rs. 28,607 being amount carried forward from the previous account, the total amount available for distribution is Rs. 7,84,222. Of this, the Directors have recommended Rs. 2.75 lakhs to be transferred to contingency reserve. A tax-free dividend of 20 per cent on the paid-up share capital absorbs Rs. 5,04,360, leaving Rs. 4,862 to be carried forward. Inasmuch as payments in respect of (i) compensation to workers retrenched in 1948 (Rs. 38,491), (ii) bonus to staff and operatives for 1954 (Rs. 2,45,325), and (iii) income-tax for 1953 and 1954 (Rs. 1,89,465) had to be made out of the profits for the year under review, as no provision had been made for them in previous accounts, the profits earned should be considered satisfactory.

In April, 1955, the Government sanctioned an additional 10,000 spindles for the expansion of the mills, of which 4,000 have been installed and the remaining 6,000 were expected to be erected early. The programme of expansion and modernisation to enable the company to meet competition is being pursued. During the last few years, heavy investments have been made on capital expenditure which accounts for a large provision for depreciation. In the immediate future, the company expects to incur capital expenditure on different items of the order of Rs. 20 lakhs.

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The working of the Corporation for the year ended December, 1955, has resulted in a profit of Rs. 52,13,247 after providing Rs. 4 lakhs for depreciation, Rs. 2 lakhs for gratuity and writing off Rs. 4.16 lakhs being expenses incurred by the Company for the issue of debentures. (The previous year's net profit stood at Rs. 63,19,604). Adding to the profit the sum of Rs. 5,72,076 brought forward from the previous account, the amount available for distribution comes to Rs. 57,85,323. The Directors have recommended the following appropriations. Dividend of Rs. 5 per preference share (Rs. 8,71,430); Dividend of Rs. 12 per ordinary share (Rs. 19,01,808); Reserve fund (Rs. 10 lakhs); Debenture redemption fund (Rs. 10 lakhs); and Deferred taxation reserve (Rs. 5 lakhs). The balance of Rs. 5,12,085 is carried forward.

There have been increases in the amount of salaries and wages paid during the year as compared to the previous, and in the electricity charges paid by the Company. The third stage of the expansion of the Rayon plant taken in hand during the preceding year, as well as the putting up of the caustic soda chlorine plant are progressing. The operation of these plants has, however, to be co-ordinated with the availability of additional electricity required which is expected to be made available by stages during the current and early next year.

REWA COALFIELDS, LTD.

The working of the Company for the half-year ended December, 1955, is highly satisfactory. The profit for the period at Rs. 4,96,775 has registered a substantial increase over Rs. 2,76,942 for the preceding half-year. Raisings and despatches at 1,83,555 tons and 1,86,060 tons compare favourably with 1,64,865 tons and

1,62,787 tons respectively for the previous half-year. Including Rs. 28,521, brought forward, with the profit the sum available for disposal totals Rs. 5,25,296. After making provision for taxation at Rs. 2,55,517, there remains a balance of net profit of Rs. 2,69,779. Development reserve has been appropriated Rs. 75,000. A tax-free dividend of 25 per cent per annum has been recommended by the Directors which absorbs Rs. 1,68,750, leaving Rs. 26,029 to be carried forward. The capital expenditure during the half-year is Rs. 1,24,653 against Rs. 53,551 in the previous half-year.

The supply of wagons was satisfactory which is reflected in the increased raisings and despatches. However, since the close of the period under review, there has been some variation in the supply of wagons.

THE NENMENY RUBBER & PRODUCE CO., LTD.

During the year 1955, the Company harvested a crop of 5,32,730 lbs. at 80.95 cents per lb., while the selling price was at 142.51 cents a pound. In the course of the year, the controlled price was increased by a total of Rs. 17.8, partly to compensate for the increase in excise duty introduced from August, 1955. The net profit, after providing for taxes, Managing Agents' remuneration, etc., is Rs. 1,24,842. Adding to this Rs. 13,145 brought forward and taking out Rs. 21,000 being preference dividend paid in February, 1956, the disposable amount totals Rs. 1,16,987. Out of this, the Directors have recommended a 15 per cent dividend, for the year under review, on ordinary shares absorbing Rs. 50,250. A amount of Rs. 50,000 has been transferred to debenture redemption reserve, leaving a balance of Rs. 16,737 to be carried forward.

The capital expenditure incurred during the year under report is Rs. 13,705 on land and development; Rs. 40,106 on buildings and Rs. 2,942 on machinery and furniture. The Company sold 54.14 acres of rubber area for Rs. 65,000, which, the Directors report, was deteriorating and uneconomic to retain.

THE
**HIND
BANK
LTD.**

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000
PAID-UP CAPITAL . . . Rs. 50,00,000
RESERVE FUND Rs. 26,00,000

Connections in all principal
centres of the world

Chairman General Manager
Mr. K. P. GOENKA Mr. S. D. PANDIWALLA

COMMODITY NEWS AND NOTES

MAN-MADE FIBRE PRODUCTION

The gross value of production of British man-made fibres amounts to about £95,000,000 a year. Last year exports of man-made fibres amounted to £50,000,000, while domestic consumption of the yarn and staples obviated the necessity for imports of natural fibres to a value of about £60,000,000. The cost of raw materials imported for the production of viscose and acetate rayons was £20,000,000, and there were imports of fibre, yarn, piecegoods, and apparel of a total value of £15,000,000.

SYNTHETIC RUBBER PRODUCTION

Synthetic rubber production in the US now mostly in private hands, is heading for a large expansion, according to trade estimates based on companies plans. The US Government turned over the bulk of the \$700 million (£250 million) industry to private business in April, 1955. Plans set in motion since then will lift US rubber making capacity above 1.5 million tons annually by the end of 1957. Early in 1955 capacity was just slightly over 1 million tons. Firestone Tyre and Rubber Company has disclosed plans for 27 per cent increase to 190,000 tons annually in the capacity of its Lake Charles, Louisiana, plant acquired from the Government 15 months ago.

POTATO PRODUCTION AND MARKETING IN INDIA

About 43,956,000 maunds of potatoes are produced in India annually. Of this about 88 per cent are estimated to be produced in the plains and the remaining 12 per cent in the hills. The total area under potatoes in India, based on the average of 1948-49 to 1952-53 figures is about 580,000 acres and shows a progressive upward trend. By far the largest area under potato cultivation in India lies in the Uttar Pradesh and constitutes 35 per cent of the total area. Next in order of importance are Bihar, West Bengal and Assam, having 16.7 per cent, 16.5 per cent and 10.9 per cent respectively of the total area. Bombay, Madras and Himachal Pradesh having 3.8 per cent, 3.3 per cent and 3.1 per cent follow next. The annual per capita consumption of 7.6 lb. in India when compared to some other countries is very low. In USA and Germany the per capita consumption was as high as 140 lb. and 440 lb. per annum respectively.

U.K. WOOL CONSUMPTION

The rate of U.K. wool consumption was slightly higher in June than in May, though it was rather lower than the comparable figure for June, 1955. Production of wools was also higher. The wool Industry Bureau of Statistics states that the estimated number of production personnel in the five principal sections of the industry showed a further decline, the total being 830 less than in May. Combing showed a decline of 181 in the month. All other sections showed decreases between May 18 and June 15 as follows: worsted spinning 113; worsted weaving 150; woollen spinning 94 and woollen weaving 292. Topmaking consumption was slightly higher than in May and slightly lower than a year ago. Woollen consumption was very slightly lower than in May and was 12 per cent lower than a year ago.

FUTURES IN SUGAR

The Forward Markets Commission expected to submit its report shortly to the Government on the ad-

visibility of permitting futures in sugar under a system of quota releases, trade circles have naturally begun to press the claims of their respective centres for recognition for the purpose. The Commission had recently met representatives of the sugar industry and trade to elicit their views and to draft a memorandum on the articles of association of the trade body, which will conduct such business. To begin with, permission for restricted trading in sugar futures is expected to be given to Kanpur on an experimental basis, on the results of which more centres are to be considered for the purpose. In this connection it may be mentioned that the proposed Rajdhani Grain and Jaggery Exchange which is to be formed by the merger of three exchanges of Delhi viz., the Punjab Exchange, the Uttar Bharat Exchange and the Vishnu Exchange—intends to seek permission for futures in sugar. Increased sugar production in the country, with prospects of progressive improvement, has been at the basis of the idea of forward trading in the commodity. During the season ended June last indigenous production was as much as 1,848,899 tons as against 1,583,000 tons in the previous season. The offtake during the season was 1,094,000 tons as compared to 710,000 tons.

NICKEL PRODUCTION IN U.S.

The U.S. Government has announced that it will pay premium prices—covering production costs—to encourage expansion of nickel production. At present, the Government gives fast tax amortisation and market price purchase contracts to encourage nickel production expansion. The new step is to give either domestic or foreign producers further financial help in developing nickel by paying premium prices for the metal to cover production costs. The current supply of nickel available to the U.S. is around 300 million lbs a year. By 1961 the Government hopes to have 440 million lbs. a year available. Most of the metal comes to the US from Canada, with Cuba the next largest source. Only about 15 million lbs or 16 million lbs is produced in the US.

RECOGNITION OF DELHI ASSOCIATION FOR FORWARD TRADING

The Minister for Trade, Shri D. P. Karmarkar, revealed in the Lok Sabha that the Om Exchange Limited, Delhi, had been recognised for forward trading in oils and oilseeds because it was the only one among the applicant associations from Delhi which had devoted itself solely to trading in oils and oilseeds.

RISE IN COTTON CONSUMPTION

The Indian raw cotton year ending this month is expected to record higher consumption by mills than last year. Mill consumption of cotton in the first nine months of the current season is higher at 3,705,878 bales as against 3,545,475 bales for the corresponding period last year. Of this total 445,857 bales were foreign cotton and 3,260,021 bales Indian. There was a steep decline in the import of U.S. cotton. In the first nine months of this year, import of US cotton totalled 14,000 bales against 100,000 bales in the corresponding period last year. The import of Sudan and Egyptian cottons has been higher at 125,000 and 217,000 bales, respectively, as compared with 54,000 and 128,000 bales last year. Along with U.S. cotton, East African cotton also registered a fall from 228,000 bales to 193,000 bales during the same period. The higher monthly consumption by Indian mills—55,184 bales recorded in May last.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	438.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	369.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56 ..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
December 1955 ..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956 ..	333.4*	454.2*	353.5*	376.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February .. c ..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March .. c ..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April .. c ..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May .. c ..	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.4
June .. c ..	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July .. c ..	380.2	492.2	395.2	385.5	560.3	409.2	91.3	100.5	85.3	125.2
Week Ending 16-6-1956 ..	372.7*	480.6*	396.8	377.9	513.1	401.1*	91.3	100.5	85.2	125.3
23-6-1956 ..	374.6*	480.6	395.6*	377.9	522.5*	401.7*	91.3	100.5	85.3	125.5
30-6-1956 ..	374.0	481.8*	395.5	377.0	545.4	402.2*	91.2	100.5	85.3	124.9
7-7-1956 ..	374.9*	490.9	395.1	385.1	560.8	407.7*	91.2	100.5	85.5	124.7
14-7-1956 ..	377.3*	487.8	393.4	385.4	557.7	408.8*	91.2	100.5	85.5	124.7
21-7-1956 ..	382.3*	493.2*	394.9	386.0	560.8	409.9*	91.1	100.4	85.3	125.7
28-7-1956 ..	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.7

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

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Ahmedabad July 1934=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	146	309	168	136	134
1949	292	307	248	132	348	478	151	323	164	138	138
1950	298	313	257	132	349	434	153	325	165	145	138
1951	314	330	261	142	370	451	168	334	167	160	144
1952	321	337	250	143	351	441	160	330	151	154	141
1953	346	363	275	140	349	453	151	351	147	158	145
1954	342	359	244	138	327	408	139	341	148	140	138
1955	322	338	218	130	323	371	133	321	134	135	132
1955 August	325	341	229	134	329	375	137	318	136	136	134
September	317	333	224	133	327	373	133	322	138	137	132
October	315	331	225	134	334	385	134	323	139	139	134
November	314	330	229	136	339	392	138	327	144	141	135
December	316	332	230	140	329	393	143	334	148	141	135
1956 January	318	334	226	139	319	404	146	334	147	138	133
February	321	337	224	137	315	394	142	333	146	132	133
March	334	350	230	139	325	398	145	340	148	143	138
April	342	358	239	140	338	409	—	354	—	—	142
May	341	357	236	141	342	408	—	356	—	—	143
June	342	358	240	141	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	10-8-1956			3-8-1956			28-7-1956			21-7-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	104- 0	103- 0	103- 9	104- 7	102- 3	103- 9	102-12	101-11	102- 4	101-14	100-14	101- 4
Silver (per 100 fine tolas)	173-10	170-10	171-15	172- 4	170- 5	171- 4	172-10	171- 0	171-12	174- 5	171- 9	172-14

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupree Coin	Rupree Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	584.40	604.02	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	689.31	56.47	102.25	428.61	1,219.17
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.88	553.20	1,356.47
Average of Fridays										
December 1955	1,350.04	10.13	1,360.17	40.02	662.98	703.00	50.95	108.56	548.61	1,360.17
January 1956	1,384.08	18.67	1,402.75	40.02	679.49	719.52	51.37	106.52	574.69	1,402.75
February	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	603.24	1,411.56
March	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
April	1,509.33	15.96	1,525.29	40.02	682.69	722.71	47.38	106.38	696.21	1,525.29
May	1,516.70	13.36	1,530.06	40.02	681.45	721.47	47.15	104.89	703.91	1,530.06
June	1,496.50	22.32	1,518.82	40.02	662.53	702.55	46.25	105.59	710.68	1,518.80
Week Ending										
6-7-1956	1,482.50	20.08	1,502.58	40.02	636.61	676.63	45.03	107.33	718.62	1,502.58
13-7-1956	1,474.80	29.37	1,503.96	40.02	626.68	666.70	44.33	108.71	728.58	1,503.96
20-7-1956	1,460.01	25.20	1,485.21	40.02	616.68	656.70	44.22	109.96	718.56	1,485.21
27-7-1956	1,444.28	32.99	1,477.27	40.02	616.68	656.70	44.45	111.96	708.62	1,477.27
3-8-1956	1,447.15	30.29	1,477.43	40.02	616.68	656.70	44.45	112.12	708.62	1,477.43

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	...	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.96	47.24	2.62	406.95	1.57	21	81.53	4.85
1948-49*	222.17	6.62	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.38)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	980.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.08
1951-52*	181.39	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.63
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.48	123.31	1.78	19.84	81.58	7.61
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	86.98	1.73	36.99	49.36	15.61
Average of Fridays														
December 1955	54.13	8.44	57.88	15.97	136.01	34.76	181.17	10.25	8.11	63.93	3.97	31.67	50.49	12.76
January 1956	53.56	12.51	59.90	17.49	142.53	41.28	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February	61.12	13.65	56.38	15.85	147.00	49.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March	57.51	37.22	49.25	16.93	159.81	48.99	220.30	11.26	9.53	65.31	1.60	73.88	39.44	17.33
April	56.21	30.15	52.14	17.16	155.66	48.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
May	61.44	10.27	50.36	13.04	135.11	53.24	198.35	13.48	9.79	35.69	2.36	81.42	37.02	18.61
June	56.43	8.33	51.92	12.97	129.65	57.81	197.46	22.42	8.94	31.55	3.94	73.96	37.75	18.89
Week Ending														
29-6-1956	56.84	13.17	54.49	13.08	137.58	68.14	205.72	28.37	8.36	34.97	2.37	69.68	43.04	18.94
6-7-1956	54.22	4.77	50.56	12.64	122.30	57.36	179.56	20.13	7.65	41.87	2.95	61.08	37.31	8.56
13-7-1956	52.03	6.94	52.65	12.19	123.82	57.76	181.57	29.50	5.86	41.63	3.32	55.40	37.31	8.46
20-7-1956	83.42	13.69	53.01	11.89	162.01	58.11	220.12	25.34	3.98	47.96	4.64	71.63	59.19	7.40
27-7-1956	76.16	6.84	53.35	12.22	148.56	58.02	206.58	33.15	3.46	42.75	5.16	65.54	49.39	7.31
3-8-1956	61.05	5.86	47.90	12.22	127.02	58.66	185.68	30.38	2.41	36.79	5.04	55.37	49.41	6.27

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

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	...
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	...
1948-49*	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	...
1949-50*	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	...
1950-51*	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	...
1951-52*	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	392.48
1952-53*	546.23	309.26	855.49	33.33	51.92	9.95	461.64	28.47	60.48	396.34
1953-54*	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	381.24
1954-55*	559.62	351.86	911.55	32.66	53.91	9.50	468.39	81.66	62.08	339.72
1955-56*	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.30
Average of Fridays										
January 1956	638.02	411.70	1,049.72	36.96	56.92	8.94	533.75	130.851	64.21	379.64
February	631.25	415.9	1,046.45	35.18	54.67	8.59	551.12	138.151	66.56	364.85
March	622.44	415.29	1,037.72	34.83	48.43	8.10	586.55	144.16	71.44	356.65
April	649.02	423.19	1,073.31	37.74	50.99	8.34	604.85	150.651	71.04	392.43
May	638.35	432.68	1,071.01	37.76	46.68	8.15	614.22	153.141	71.82	354.97
June	636.61	446.93	1,083.54	37.96	49.77	8.18	612.04	151.641	71.20	346.84
Week Ending										
6-7-1956	639.35	454.97	1,094.14	37.47	19.98	8.09	611.01	145.441	66.97	344.00
13-7-1956	644.30	450.43	1,094.38	37.26	50.61	8.05	604.67	143.291	68.96	342.00
20-7-1956	633.51	454.87	1,073.83	36.41	46.36	8.16	601.02	143.681	69.22	354.00
27-7-1956	639.68	456.97	1,096.43	37.91	50.38	8.16	597.64	142.681	68.46	354.00
3-8-1956	636.08	458.08	1,077.47	36.01	50.56	7.94	596.47	142.611	68.59	361.35

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees)

Last Friday		Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-53	..	1,764.71	1,199.25	585.46	548.95	16.51	-39.09
1954-55	..	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	..	2,184.32	1,505.09*	679.23	667.22	12.01	+248.60
June	1955	1,989.42	1,343.74	644.67	623.43	10.03	+1.87
July	"	1,974.91	1,324.80	650.11	619.53	10.39	-22.48
August	"	1,995.61	1,314.74	680.88	632.86	11.60	+4.47
September	"	1,965.49	1,309.69	686.71	632.36	11.70	-4.49
October	"	2,008.47	1,331.40	677.08	635.72	11.12	+24.43
November	"	2,014.88	1,351.24	683.64	640.40	10.81	+24.82
December	"	2,047.15	1,385.87	661.28	650.14	11.14	+44.89
January	1956	2,094.21	1,407.67	686.55	674.12	12.43	+47.88
February	"	2,108.97	1,435.69	673.28	661.97	11.31	+12.30
March	"	2,184.32	1,505.09	679.23	667.22	12.01	+75.09
April	"	2,231.13*	1,542.22*	686.90*	676.40*	12.50	+46.57*
May	"	2,228.99*	1,543.35*	685.65*	675.03*	10.61	-3.14*
June	"	2,191.21*	1,510.56*	680.64*	669.48*	11.16	-35.76*

JUTE STATISTICS

JUTE CROP FORECASTS (Government of India & East Bengal)					SUPPLY AND DISTRIBUTION OF JUTE 1954-55 & 1955-56			
	Prelim. Area (000) acres	Final Forecast			Supply	1954-55 lakh bales	1955-56 lakh bales	
		Area (000 acres)	Crop (000 bales)	Bales per acre				
1952-53 Total	35.16	37.24	114.28	3.07	OPENING STOCKS —			
East Bengal	17.59	19.07	68.23	3.58	I. J. M. A. Mills godown stocks			
West Bengal	7.52	8.44	24.21	2.87	a. West Bengal Mills	10.89	8.66	
Rest of India	10.05	9.73	21.84	2.24	b. Mills outside West Bengal (estimate)	0.43	0.41	
1953-54 Total	20.58	19.56	56.32	2.88	Indian Carry Forward (estimate)	7.10R	2.60	
East Bengal	7.89	7.60	25.03	3.29	Pakistan Carry Forward (estimate)	16.90R	5.10	
West Bengal	5.84	5.50	15.36	2.79				
Rest of India	6.85	6.46	15.93	2.46				
1954-55 Total	26.38	24.86	75.90	3.05	Indian Union Jute crop (trade estimate)	35.32	16.77	
East Bengal	13.04	12.43	46.62	3.75		42.40R	50.50	
West Bengal	5.84	5.70	15.42	2.71	Pakistan crop (Trade estimate)	47.40R	72.50	
Rest of India	7.50	6.73	13.86	2.06				
1955-56 Total	30.59	32.16	97.29	3.03	Total Supply	125.12	139.77	
East Bengal	17.16	16.35	54.92	3.42	DISTRIBUTION :-			
West Bengal	6.36	6.00	20.06	2.51	Mill Consumption :-			
Rest of India	7.07	7.81	21.31	2.73	1. I. J. M. A. Mills (estimate)	58.63	63.66R	
					2. Outside Mills (estimate)	2.13R	2.23	
						60.76	65.89	
					Indian Domestic Consumption (estimate)	2.10R	2.00	
					Pakistan Exports Overseas (estimate)	39.08	40.00	
					Pakistan Dtic Consumption omes (estimate)	6.90R	7.00	
					Total Distribution	108.84	114.89	
					Carry over at end of season	16.28	24.88	

PRODUCTION OF GUNNIES

('000 Tons)

Year and Month	Hessian	Sacking	Total
July-June			
1952-53	3,47.7	5,10.4	8,91.5
1953-54	3,90.4	4,44.8	8,35.7
1954-55	3,99.2	4,57.5	8,56.7
1955-56	4,03.0	6,22.9	10,25.9
1955 October	80.7	43.5	78.8
November	34.6	49.9	90.5
December	34.0	56.8	97.3
1956 January	30.3	52.6	88.9
February	32.0	54.7	92.8
March	34.8	57.8	99.3
April	32.9	55.0	93.1
May	35.8	59.8	101.7
June	35.0	57.3	98.9

WEEKLY PRICES OF JUTE AND GUNNIES AT CALCUTTA

DATE		JUTE						GUNNIES	
		Assam		Pak. Jute		First Marks for mill (Indian)	Hessian 40"10 oz. (Ready)	Sackings R. Twill (Ready)	
		Middle	Bottom	Middle	Bottom				
		Rs. per md.	Rs. per md.	Rs. per md.	Rs. per md.	Rs. per bale	Rs. per 100 yds.	Rs. per 100 bags	
1956									
5th	March	33 8	30 8	37 0	34 0	200 0	40 12	115 12	
13th	"	33 0	30 0	37 0	34 0	200 0	40 4	115 6	
19th	"	32 0	29 0	36 0	33 0	200 0	39 4	111 12	
26th	"	31 0	28 0	34 8	31 8	190 0	38 14	109 4	
2nd	April	31 0	28 8	35 0	32 0	190 0	38 2	107 0	
9th	"	30 8	27 8	34 0	31 0	185 0	38 8	108 4	
16th	"	31 0	28 0	34 0	31 0	190 0	38 13	109 12	
23th	"	31 0	28 0	34 0	30 0	190 0	39 1	108 4	
30th	"	30 0	27 0	33 8	30 0	185 0	38 5	105 8	
1st	May	29 8	26 8	33 0	30 0	180 0	38 0	104 12	
7th	"	29 8	26 8	32 8	29 8	180 0	38 1	105 12	
14th	"	30 8	27 8	33 0	30 0	190 0	37 15	107 4	
21th	"	29 8	26 8	32 8	29 8	185 0	37 6	104 12	
28th	"	29 8	26 8	33 0	30 0	190 0	38 0	105 12	
4th	June	30 0	27 0	33 0	30 0	185 0	38 8	107 2	
11th	"	30 0	27 0	33 8	30 8	185 0	38 4	106 2	
18th	"	29 8	26 8	33 0	30 0	185 0	38 3	105 0	
25th	"	30 8	27 8	33 8	30 8	185 0	38 0	103 12	

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ONE RUPEE

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The Conference and After

THE Suez Canal Conference has just ended on a note of subdued optimism, but not entirely without a question mark. In so far as Mr. Dulles and Mr. Krishna Menon, who both dominated the stage of the London Conference, imparted to its deliberations an approach of peace, there is ground for optimism in the matter of post-conference negotiations with President Nasser. But in so far as the Indian plan which was known to be acceptable to Egypt did not find favour with a majority at the Conference, there is the question whether President Nasser would ultimately meet the Western Powers half-way. Although the Conference has in a way reaffirmed Western solidarity, the majority plan (backed by 18 of the 22 participating nations) does not commit those countries to any collective armed action to impose

their solution on Egypt in the event of failure in negotiations. As force is thus ruled out, the possibility of a climb-down on the part of the Western Powers in the course of negotiations with Egypt cannot be entirely ruled out.

It is here that Mr. Krishna Menon may yet turn out to be a successful peace-maker between the Egyptians and the Western Powers. His hands have also been strengthened to some extent by the unanimous decision of the Conference to forward to Egypt the verbatim record of its proceedings and by the decision of the majority to send a mission (not representing the Conference as a whole) to negotiate with the Egyptian Government. It is thus no paradox that the Conference has turned out to be a personal triumph for

both Mr. Dulles and Mr. Krishna Menon who have, between them, succeeded in bringing the Conference to do away with considerations of 'prestige' and come to the brass tacks of giving 'effective practical expression to principles of the 1888 Treaty' of Constantinople in the light of the conditions created by the nationalisation of the Suez Canal Company. The 1888 Convention, it may be recalled here, laid down that "the Suez Maritime Canal shall always be free and open in time of war as in time of peace, to every vessel of commerce or of war, without distinction of flag" and that "the engagements resulting from the present Treaty shall not be limited by the duration of the Acts of Concession of the Universal Suez Canal Company."

The descent from power politics to commercial business would not be easy, of course, for Egypt on the one hand and Britain and France on the other. But the majority plan or what has come to be known as the Dulles Plan, notwithstanding its several snags, does provide some scope for bargaining. It is a matter of some extraordinary significance that this Plan is to be presented by a joint mission (in which the United States, Sweden, Iran, Ethiopia and Australia are represented) to the Egyptian Government as a basis for negotiation. The Plan, as it has finally emerged from the Conference, reaffirms the two cardinal principles of the Constantinople Convention and seeks to establish a definite system guaranteeing the free use of the canal for all the Powers and at all times but with due regard to the sovereign rights of Egypt. Such a system should ensure: efficient and dependable operation, maintenance and development of the canal as a free, open and secure international waterway; insulation of the operation of the canal from politics of any nation; a return to Egypt for the use of the canal, which will be fair and equitable and increasing with enlargements of its capacity and greater use; and canal tolls as low as is consistent with the foregoing requirements and, except for the said return to Egypt, no profit.

To achieve these results on a permanent and reliable basis, the Plan visualises the establishment, through a Convention to be negotiated afresh, of suitable institutional arrangements for co-operation between Egypt and other interested nations in the operation, maintenance and development of the canal and for harmonising and safeguarding their respective interests therein. All this would be the responsibility of a Suez Canal Board whose status is to be defined in the Convention to be negotiated. Egypt would have to grant this Board all rights and facilities appropriate to its functioning. The members of the Board, in addition to Egypt, would be other States chosen from among the parties to the proposed Convention with due regard to use pattern of trade and geographical distribution. The Board is to report periodically to the United Nations, while an arbitral commission could settle any disputes as to the equitable return to Egypt or other matters arising in the operation of the canal. The Plan also contemplates effective sanctions for any violation of the Convention by any party to it or any other nation including provision for treating any use or threat of force to interfere with the use or operation of the canal as a threat to peace and a violation of the purposes and principles of the U.N. Charter. Any snags in the majority Plan would be apparent only when it is placed in juxtaposition with the Indian Plan which has the blessings of President Nasser. But there can be

no doubt about the redeeming feature of the majority Plan where it fully recognises Egypt's ownership of the canal and the Canal Company and assumes that just and fair compensation would be given to the shareholders of the former Suez Canal Company. There is every reason to believe that the Egyptian Government would give compensation at the full market value of shares as on the day preceding nationalisation, provided, of course, they get possession of all such assets of the former company as are still lying outside Egypt.

The Indian Plan which also seeks a reaffirmation of the principles of the Constantinople Convention in regard to the international character of the waterway urges that consideration be given, without prejudice to Egyptian ownership and operation, to association between international interests using the canal and the present 'Egyptian Corporation for the Suez Canal'. The institutional arrangement for this purpose should be a body of user interests formed on the basis of geographical representation and charged with advisory, consultative and liaison functions. The Indian Plan also emphasises that the tolls and charges should be just and equitable and that the canal should be maintained by Egypt at all times in a proper condition and in accordance with modern technical requirements relating to navigation. Under the Menon Plan the 1888 Convention could be revised so as to incorporate provisions regarding tolls and canal maintenance.

The shortcomings of the majority Plan should now be clear. The Plan's recognition of Egypt's sovereign right of ownership of the canal in theory is largely watered down in practice by the almost total divorce of management from ownership that it contemplates. The other snag is that Egypt's right to the canal's entire net profit — a right flowing from her ownership of the waterway and the associated works — is not conceded. What is conceded is only a fair and equitable return to Egypt. How 'fair and equitable' the new return could be where the old return itself was no more than 7 per cent in the gross profits of the former Canal Company with a guaranteed minimum of £E 350,000, may well be imagined. If, according to the Dulles Plan, the further development of the canal is to be the responsibility of the contemplated Suez Canal Board, the World Bank might conceivably advance the required finances for long-term capital investment. In which case, interest for a possible World Bank loan would be a charge on the gross profits. Here the Indian Plan's proposal may be considered rather flexible inasmuch as 'just and equitable tolls and charges' could be either frozen at their present level or possibly raised to a small extent so that Egypt might get the larger part of the current net profits or such profits in their entirety.

The Indian Plan, for its part, suffers from the serious shortcoming that it does not contemplate some firm association with the United Nations for the consultative international body proposed by it. An active supervisory body responsible to the United Nations, while not humiliating to Egypt, may well be acceptable to the Western Powers also. As there is no unbridgeable gulf between the Dulles Plan and the Menon Plan, it is just possible that the two statesmen may ultimately succeed in bringing about a kind of 'peace with honour' between Egypt and the Western Powers in particular and between Egypt and the world in general.

The Riparian Revolution

CATCHY newspaper headlines, highlighting the findings of official reports on the working of river projects, tend to focus attention on issues of minor significance. It is not appreciated as widely as it should be that the rapid development of India's river projects since Independence has carried the rate of her progress to a pitch, which entitles her to a rank among the most dynamic countries of the world. This is a veritable revolution in a brief span. It is undoubtedly true that most of the major projects which have been selected for execution on a priority basis—Tungbhadra, Damodar Valley, Bhakra, not to speak of those of lesser magnitude—had been almost fully planned during the concluding phase of the Second World War and frankly it must be conceded that the Central and Provincial Governments had shown timely foresight in preparing programmes for post-war development. It is an indisputable fact that the achievements in river valley projects for which the first Five-Year Plan can lay a genuine claim would have been impossible without this planning. But it is equally self-evident that these achievements would not have been realised but for Independence. It is a patent fact that the last two decades or more of British rule saw a distinct loss of momentum in irrigation works. It would be dogmatic to attribute this loss to any one set of causes but the initiative and zeal to launch new works on a generous scale had disappeared as the colonial era drew to a close. The blue-prints could not have been transformed into reality without the mobilisation of Free India's resources under the impulse of planning.

This new impulse is demonstrated at its best in the execution of river projects on a grand scale. The conception of exploiting the resources of the country in terms of the potential of its rivers underwent radical change. During the colonial era irrigation projects which were easy for designing and execution, involving low costs in relation to assured benefits, had been singled out, by and large, for completion. But now the very criteria of productivity of projects have been changed and account is taken not merely of the direct benefits expected to flow from them but of the indirect gains too in terms of overall improvement of the economy of riparian regions. The emphasis in the immediate context was no doubt on increased production of food and this must remain also a permanent objective of development. The wider goal in the long run of developing power on a massive scale aims at transforming the whole economy.

While multi-purpose river valley development dates back not earlier than a quarter of a century in the global perspective and it is not totally new to this country, these schemes have been deliberately chosen as the base of the future pattern of development. Four projects—Tungbhadra, Damodar Valley, Hirakud and Bhakra—earned top priority and an equal number had very nearly gone through the phase of blue-prints. This does not imply lack of preference for projects of lesser magnitude in purpose or coverage and of these numerous examples may be recalled over all the States to secure balanced development. The unique strides which India made since Independence are easily appreciated on the project sites. But the march of progress can be epitomized in broad terms. Free India

has almost attained in five years in irrigation and hydro-electric capacity what she took half a century to accomplish before Independence and her investment in these two types of development in the same period equals the investment in British India and Princely States in the entire colonial era. This is indeed nothing short of a revolutionary accomplishment.

But the real revolution that is under way wherever river valley projects, big or small, are racing ahead is to be witnessed in diverse directions. Mr. Henry C. Hart's fascinating account of the march of this revolution in his recent book, *New India's Rivers*, an Orient Longmans publication, truthfully emphasises that the participants in this great event are drawn not merely from engineers, administrators and legislators but in essence they are drawn from the masses of men and women at work contributing various types of skills and labour. In a literal sense, they are lifting their habits of thought and action, of their mode of life from the age-old channels of tradition even as they are exerting to lift the rivers from their own channels. To what extent the kind of success which attains these projects will influence the pattern of river development in other underdeveloped parts of the world is a matter for speculation. But it would not be presumptuous to assume that the repercussions of the success or otherwise of this mighty experiment in a silent revolution will not be confined to the frontiers of India. For the future river development schemes of this country it will have a highly instructive value.

Basic changes, enough to give rude shocks to placid beliefs, have been incorporated at all levels of work. Engineering techniques have been adapted and modified to suit local situations and many of the bold deviations made at Bhakra have been acclaimed as decisive contributions to irrigation engineering. The manner in which technology and substitutes of imported intricate machines were rationalised at Tungbhadra works by medium level workers is proof of creative talent. Will projects on a big scale get built with the sort of resources in materials and manpower at our disposal was a query raised not by sceptics alone. The answer was provided by progress in physical terms. Top technical skill and top management no doubt supplied the motive force, but Hirakud demonstrates the virtue of fearless departures from rigid conventions. Recurring bottlenecks in management at the level of sectional works were broken by delegation of executive responsibility to construction firms armed with engineering personnel of proved competence. This technique imparted a healthy competitive element to execution under departmental auspices. Imaginative use of discretionary authority and the compulsions of improvisations have been responsible for overcoming frequent threats of retardation.

The hard experience against which riparian populations come up is the inevitability of discarding conventional modes of work on the farm and on the industrial site. How far the transition to new types of crop cultivation or of methods of production with electric power will be assimilated, especially the latter, without serious dislocation of the objectives of planned development must be a matter for observation over a period

of time. Labour relations were naturally not expected to be smooth and strikes have gained considerable publicity in the course of construction work. But what is far more worthy of publicity, which has not been accorded, is the organization of sixty-three labour co-operatives, in substitution of contractors' labour, with a total force of about seven thousand workers, for work on the distributaries in the Nangal works. In nine months they moved four million cubic yards

of earth—a quantity twice as large as that moved at the Maithon Dam by machines in equal time, albeit under extremely exacting conditions. The most painful challenge posed by the march of this revolution is the problem of uprooted populations. Their resettlement into new communities with new opportunities of employment is a tough socio-economic task. It must continue to tax the energies of a humane administration and stubborn local leadership.

The Rising Price Level

IN the third week of June this year, the Economic Adviser's General Purposes Index of Wholesale Prices (base: Year ended August 1939=100) crossed the 400-mark. Once again, after a lapse of three years, the purchasing power of the Indian rupee, in terms of pre-war wholesale prices, slumped to less than one-fourth; it may be recalled that last time the index had crossed the 400-mark was in the fourth week of May, 1953, but it was happily brought down within three months. The latest figures available are for the week ending July 28, 1956 when the general index stood at 412.3 — 15 per cent above the level of the corresponding week in the preceding year. Prices have shown no signs of slowing down during the current month.

A table in the statistical section in this issue shows the sector-wise price rise during the last one year. The most significant rise has occurred in food articles, industrial raw materials and semi-manufactured articles; in all the three cases, the upward spurt has been about 20 per cent. Food articles lead with a rise of 23.4 per cent followed by industrial raw materials and semi-manufactured articles. Manufactured articles have also responded to rising costs of raw materials but the rise is only a little less than four per cent; miscellaneous articles have appreciated by less than two per cent. The most significant item is 'cereals' which are fast nearing the 500-mark and impinging heavily on the standard of living of the average Indian family since it spends more than fifty per cent of its income on food, especially cereals.

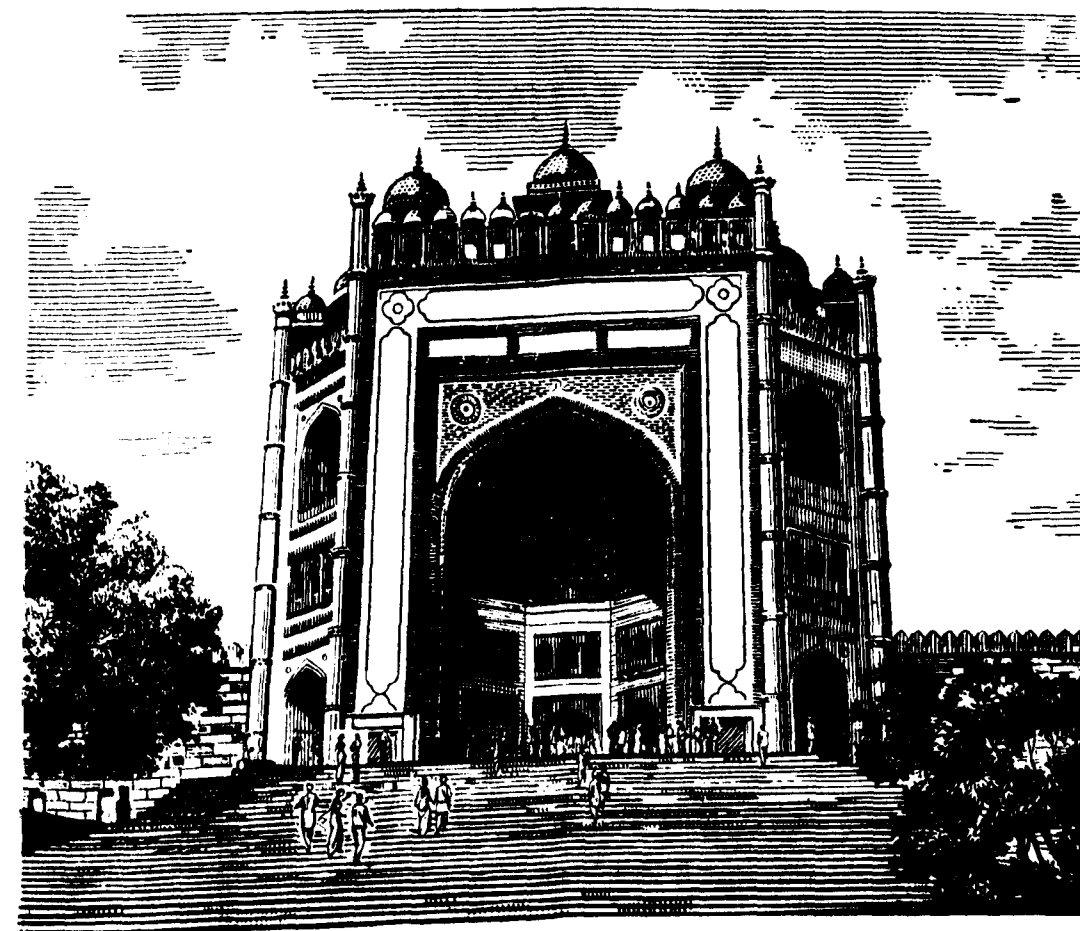
Is the current rise in the prices of foodgrains due to a fall in output? The answer cannot but be in the negative. True that the production of foodgrains at 64 million tons in 1955-56 was nearly two million tons less than that of the preceding year, but the most encouraging feature of the Indian agricultural scene at the present time is that in each of the last three years of the first Plan the total foodgrain output was significantly above the target for 1955-56. Moreover, the average production of foodgrains in the last five years stood at a level which was above the target of 61.5 million tons for 1955-56. If the total imported food of nearly twelve million tons is taken into account, it is crystal clear that the current shortage is artificial rather than real. In reality, there is hardly any relationship between the total output of foodgrains and the price level. It is the marketable surplus which determines the course of prices. It seems that rising levels of income have tended to enhance the consumption of food amongst the classes living on the subsistence level; also rising prices have helped the farmer in meeting his liabilities with the sale, comparatively, of a lesser quantity of foodgrains while the balance is retained, and is not thrown into the market. This re-

duction in the marketable surplus, arising from a variety of reasons, is one of the potent causes of the current inflationary trend.

The Government of India has taken a number of steps to ease food prices; it has imposed a total ban on the export of rice and other foodgrains and has stopped all government purchases of foodgrains in the internal markets. The Reserve Bank has imposed restrictions on advances by Scheduled Banks against stocks of rice. Fair price shops are distributing wheat at Rs. 14-8 per maund and rice at Rs. 16 per maund. The very fact that the prices of food articles have shown resistance to decline despite these measures promptly taken by the Government shows that some extraneous pressures are also at work. Not only has the marketable surplus been reduced because of higher consumption and withholding of stocks by the farmer, but the lure of inflationary outlook has contributed to holding back of sales by traders.

The inflationary impact of the money factor on the recent trends in prices has been exaggerated and little cogent evidence has been adduced to show that it is really as vital as it is apprehended to be. The analysis of the price situation which is finding currency in some quarters, including a section of the market circles, seems inclined to give more than due credence to the operation of this factor. Assessing the price increase, neither Mr. Jain nor Mr. Guha could omit to stress the essential fact that a combination of causes is responsible for it and the effects of deficit financing need not be ruled out as having a possible influence. These causes have already been dilated upon here. Mr. Guha's view of the situation certainly makes a balanced appraisal of these causes. He has drawn attention to the growth in development expenditure during the relevant period rather than referring to currency expansion or deficit financing in terms of oversimplification. As for currency expansion it is worth while to remember that the volume of money supply registered a decline of Rs. 70 crores in July this year as compared to the busy season's peak attained in April. Until adequate data are available in regard to the behaviour of deficit financing and the velocity of circulation of money, it is surely premature to rush to conclusions about monetary correctives. Fluctuations in foodgrain prices due to either seasonal or other factors are hard to avoid and relative stability can be expected only when the output of irrigated acreage from the river valley projects makes a significant impression on supplies in about a couple of years. In any event, periodical upsets in prices need not be allowed to distort the scheme of financial resources for the second Plan.

Around India with Brooke Bond



The Magnificent Victory Gateway—The Buland Darwaza

At Fatehpur Sikri, close to Agra, the new capital city built by Akbar, stands the Buland Darwaza or the Gate of Magnificence. This 176 feet high gateway, the southern entrance to the Jumma Masjid, was built by Akbar to commemorate his victories in Southern India. The Mughals were unsurpassed in building gateways and arches. Spectacular, massive and monumental, the Buland Darwaza is one of their unique achievements in this direction.

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THE WEEK'S NOTES

PROBE INTO D.V.C.

THE RECORD of the projects in the public sector that is fast expanding leaves much to be desired as seen from the periodical probings of the Public Accounts Committee. One such probing is contained in the Eighteenth Report of the Public Accounts Committee (1955-56) on the audit reports on the accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54. The Committee notes with regret that although a period of about two years has elapsed since it was suggested at the conference of the three participating Governments (the Central Government and the State Governments of Bihar and W. Bengal) that the Corporation might henceforth undertake developmental activities ancillary to the projects only and that the expenditure on such activities might be charged to the respective project accounts, no final decision seems to have been taken on this important question of allocation of expenditure which has got a vital bearing on the overall financial working of the Corporation. The Committee also emphasises that the question of allocation of expenditure common to two or more of the main objects of the Project—namely, flood control, irrigation and power—should be settled quickly. As for the present stores accounting system which has led to pilferage and loss of stores, it has expressed the hope that some satisfactory improvement will be brought about in the reconciliation of stores balances with the stock ledgers.

The Committee next draws attention to the execution of works without calling for tenders and points out that out of 86 works with an aggregate value of Rs. 7.4 lakhs, 77 come under this category. Particularly striking are the lapses on the part of the Engineering officers with regard to the Brick Supply Officer working under them. In that particular case, the initial records of brick manufacture and supply for the years 1951-52 and 1952-53 were not available and the total expenditure on brick manufacture was about Rs. 4.5 lakhs. The crowning feat was that the Brick Supply Officer responsible for the maintenance of these account records could not produce them and ultimately left the services of the Corporation without handing over all the records.

In the matter of purchase of stores and machinery etc., the Committee has expressed the view that it is not advisable to leave to the indenting officer to specify the makes of equipment and there should be co-ordination in the matter of purchases of the make, types and sizes of the plants best suited for various types of work and also combination and matching of plant where more than one unit of plant are involved. It also categorically lays down that the decision to go in for the best type of equipment should be taken at a high technical level. These are but a few of the several issues on which the Committee turns its searchlight of scrutiny. They are pointers of a particular trend which, if not arrested in time, may well reflect on the reputation of the public sector as a potent instrument of public good.

PRICE-PAGE CONTROL

THE PRINCIPAL object of the Newspaper (Price and Page) Bill passed by the Rajya Sabha is to promote the growth and development of small independent newspapers which will make for the utmost freedom of expression. This it attempts to do by fixing a minimum price at which papers of a particular size can be sold.

It is contended that the advantages will be two-fold. On the one hand, this will eliminate unfair practices like price-cutting which send smaller papers struggling for existence to the wall. On the other hand, by ensuring that the size of a paper cannot be increased without a corresponding increase in price and by adjusting the ratio of advertisements to news and comments, it will ensure a fairer distribution of the advertisement revenue to all the papers.

But there are a number of snags in this scheme which looks so plausible. Firstly, the advertisements that are given to the several papers are not something that can be distributed on a priori basis. As Dr. Kunzru rightly pointed out, "the ability of a newspaper to secure advertisements will largely depend on the number of its subscribers and the class of people amongst whom it circulates." Secondly, the better and established section of the Press has come to the present position by long years of assiduous planning, initiative and the service they offer and not through any kind of devious methods, and to penalise them in the supposed interest of the smaller papers will obviously be unwise. Lastly, the interest of the consumer, namely, the newspaper reader can never be ignored. It will be less than fair if in any attempt at reorganisation, his interests are affected either by making him pay more for his paper or by reducing the services he gets without assuring him that it is for his benefit. Incidentally, Dr. Keskar has given the assurance that there will be no "rigidity" in fixing the price schedule and that Government will "proceed further only if the Bill succeeded." If that should be the approach, will it be too much to expect that the lease of five years for the Bill be reduced so that its merits can be judged earlier?

U.P. LABOUR WELFARE FUND BILL

THE UTTAR PRADESH VIDHAN SABHA has just passed a Bill providing for the constitution of a fund for promoting the welfare of labour in the State. Its purpose is to put to good use funds lying with industrial establishments on account of unpaid wages, gratuity, pension and provident funds. These funds will be taken over by the Government and constituted into a pool for financing labour welfare projects and programmes. The pool will be administered by a Labour Welfare Board which will have on its staff a woman member also. The Bill also makes a reference to possible borrowings, but it is not clear from whom the proposed Labour Welfare Board will borrow and on what security. Fines realised from workers, under the Payment of Wages Act of 1936, will also be taken into the new pool and utilized for the benefit of workers.

Criticism has been levelled against this proposed measure that it would be an expensive body and too much under the control of the Government to function with reasonable autonomy. So far as the charge that it would be too much under the control of the government goes, it has been stated by Acharya Jugal Kishore that the Chairman of the Board would be a non-official and that there would be representatives of workers among the members. With this assurance it is quite safe to assume that the autonomy of the Board will not be hindered in any way. Under the provisions of the Bill, the representatives of employers' organisations will also be represented on this body. The only thing to be guarded against is the duplicating of work done by other welfare agencies. It would be safe and proper to utilize the finances of the Fund for such labour welfare measures as are being neglected at the moment.

FILM INDUSTRY

THERE IS general agreement over the poor quality of films produced in India, and the Censors have hardly been effective in improving it. While reform is something positive and constructive, their function of only cutting out objectionable portions is, in the main, negative. As, however, any suggestion for strict control over the production of films which are works of art would be not only undesirable but difficult, it cannot possibly draw wide support. To meet the situation, the Lok Sabha last week passed a private member's resolution, amended by Mr. C. R. Narasimhan so as to remove the mandatory character of the original. The amended version suggests to Government to seek additional powers for "improving the standard of films in the interests of national unity and social progress". As was revealed during the debate by the Minister for Information and Broadcasting, a Bill is already under preparation to provide for the setting up of a National Film Board with a Bureau which would examine film scripts before production and tender advice to producers. A film finance corporation is also proposed to be established in order to help production of better films.

The Indian film industry should welcome the proposed measures because they are not inherently objectionable. Even after a quarter century of the talkie era in the country, during which period the industry has registered substantial technical progress, the producers are in the sad plight of economic uncertainty. They find themselves caught in the mess of the star-system, the very high rates of interest on finance and, to an extent, the adverse effect of the loss of the Pakistan market. This has been responsible for the increasing tendency to lean on the box-office. But it is not uncommon that even where collections are stupendous, the producers' share is astonishingly low. The result is that less and less attention is devoted to artistic development or to the social role the films could play with great effect. On the contrary, instances are not lacking where films of an obscene, adventurist and corrupting nature have been produced. With finance becoming available at cheap rates from the proposed Corporation and with the pre-checking of the script to avoid any possible loss, the producers can afford to take 'risks' and go in for healthier production. Even these 'risks' are more imaginary than real, for some courageous efforts in filming realistic themes with artistic integrity but without prejudice to their entertainment value, have been crowned with success.

A WORLD CIVIL SERVICE?

THE SECRETARY-GENERAL of the United Nations told a press conference at the U.N. headquarters recently that in proposing an international civil service his idea was 'to try and find forms in which the world community could assist governments—if they wanted to have that kind of assistance—by giving them people who could be integrated in their civil services and carry out administration under the rules of the very countries which they served'. Asked whether this would be an expansion of the U.N. Technical Assistance Administration, Mr. Hammerskjöld replied, that it would be something qualitatively different from that body. It could be some kind of an independent organisation under its own leadership.

Various advantages are claimed for such a permanent body of administrative experts at the disposal of the United Nations. The creation of this civil service, it is further claimed, would bring about the necessary conditions for improving the standard of living in under-developed countries. It is also pointed out that

by making available international civil servants to recently-emancipated countries, it would be helping these countries in speedily recruiting additional administrative staff locally. The scheme is also justified on the ground that it is in line with the trend towards the free determination of peoples—one of the concerns of the United Nations. There is no doubt that withdrawal of colonial rule from various parts of Asia and Africa has left a gap in the sphere of finance and skill, and unless it is filled, economic progress will be hampered and development of democratic institutions would be slow. Indeed a great service could be rendered to the cause of human progress if an international civil service succeeds in hastening the process of development of under-developed countries. While pointing out the possible advantages of an international civil service, one may also bear in mind quite a few difficulties associated with this lofty scheme. Besides the obvious difficulties of language and living conditions, there is the most difficult question of creating and maintaining a large and satisfactory enough pool of administrative experts. There is also the question of finances by way of fabulous salaries, but the more serious objection from the side of newly-independent countries may well be to letting her day-to-day administration be carried on by an international body of administrative experts.

Although the U.N. has already a machinery to help under-developed countries in improving their public administration through 'experts and consultants', yet on the whole Hammerskjöld's scheme seems to be much wider in scope than merely training local personnel in the latest administrative techniques. The difficulties inherent in the scheme are not insurmountable. Perhaps an arrangement can be made for obviating most of these snags by mutual discussion and consultation amongst the member-countries.

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**BURMAH-SHELL...
IN INDIA'S LIFE AND
PART OF IT**

A Window on the World

COOL DRINKS ON THE VERANDAH

By

ODYSSEUS

IT IS THE BUSINESS of this journal, and of this column, to discuss the problems and crises with which a thoughtful Providence supplies mankind to while away what might otherwise prove to be the monotonous interval between this life and the next. On the other hand, we have now reached what has always seemed to me, no matter what part of India I happen to be in, the most trying period of the most trying month of the hot weather — a moment when cerebration gives way to exhaustion and to cool drinks on the verandah. So we are, I think, entitled to take at least one week off for some topic generative of the least intellectual friction and heat. For my part, at this season, I find a mild restorative in contemplating the work of others, reflecting lazily over all that I ought to be doing and that some day (when I have the time) I really will get around to tackling.

I do not need to remind the faithful — whom I now picture in relaxed attitudes, sitting in the shade of the verandah with iced drinks (*non-alcoholic* for you, Pantji!) — of this column's interest in books and reading. So let us talk about books, those which we have read, and those which we have not read but feel that we ought to read, and are determined that we shall read — next week when we have a little more time.

Everyone, without exception, has some method of ensuring self-forgetfulness, of losing himself in dreams, reverie, or frank oblivion. Some distinguished characters in history have (we read) gone in for nautch girls, a form of distraction about which most of us can afford to be superior because we have never been able to afford it. Judging by the amount of poetry — ranging from Omar Khayyam to G.K. Chesterton — written on the attractions of wine, many must have recourse to that, while the universality of betel chewing and of smoking has evidently convinced our Constitution framers of the impossibility of legislating against these inducements to reverie. I stick to books. I hope that this frank and public admission will not cause our puritan Founding Fathers, who look upon self-forgetfulness as self-indulgence, to reach for the Constitution in order to draft an amendment prohibiting books — even if they decide to exempt those who, by caste or religion, claim to be natural book-worms, or grant others licences to keep books in a locked cupboard for medicinal purposes.

NEHRU, CHURCHILL AND EISENHOWER

I stick to books — because without them my circle of friends would be restricted to those with whom my work and my locality of residence brings me into contact — admirable citizens for the most part, whose company I enjoy, but who fail to include a vast crowd of exciting people whose experiences of life are totally different from mine, who have been to places and done things that I have always wanted to see and do, but have never been able to and, what is more, shall never be able to in the short span that is now left of my allotment of years on this earth.

Who are these exciting people? Here are a few names as they come to mind: Pandit Nehru, Winston

Churchill, President Eisenhower, Lord Mountbatten, Rajaji, Maulana Azad, S. Radhakrishnan, R. K. Narayan, Nirad C. Chaudhuri, Shakespeare, and Racine, whom I claim among my closest and most intimate friends. Often and often do I spend long hours in their company, not as a mere hanger-on, not as a gate crasher, an unwanted bore who imposes himself on them. Far from it, everyone of this great and varied company have been at pains to reflect over and sort out the lessons of their lives, and set them forth especially for me, so that I have the privilege of sharing their minds, of being admitted to their happiest, saddest, grimmest, most tragic or most triumphant moments.

All the illustrious company of my friends — of whom I have ungenerously named but a scant eleven — are always at my service; they have never once sent the chaprassi out with a message that the sahib is busy and will I call again at some unspecified and all too vague date in a future that looks like a sealed book.

Why? Because all these, and others, have set their thoughts down on paper in hopes that I shall be interested enough to want to read them. I, and no other, am the man for whom they wrote because I am the man who buys their books.

Or to be strictly accurate, I am the man who used to buy their books until the Welfare state diverted the stream of books from the hands of the individual citizen who, it is held, should not be in possession of such property, into the hands of public libraries, which are somehow supposed to be of much higher moral value than you or me or any other "common man". The Chintaman Deshmukhs and the Harold Macmillans of the world have become so exorbitant in their demands ostensibly on behalf of the common man that the pampered fellow can no longer afford to buy anything for himself but has to get his taxes, direct and indirect, back from the state through public libraries, old age pensions, medical and other benefits which he has to obtain under the new system of what's mine only becomes moral when filtered to me through a government department (minus charges for the upkeep of the civil servants who administer it on my behalf). But I stray.

Often has one heard a friend exclaim ruefully how he would have loved to have met one or other of the great names of the past—Buddha, Socrates, Kalidas, Ram Mohun Roy, Rabindranath Tagore. It is true that they have left us for that undiscovered country from whose bourn no traveller returns, but they have left behind for us the most powerful attributes that they possessed in life: their thoughts, their adventures among ideas, their perceptions of beauty.

And what unforgettable pictures of their lives some of them have left us! At this point in the first draft of this article, I quoted one of my favourite purple passages from the Memoirs of Babur (1483—1530), but I had to desist as I found myself copying out page after page. That is the delight of these old friends. They are only too willing to allow themselves to be taken down from the shelves that they may hold you entranced, until suddenly you look up and find that it is time

once more to cope with this mad-mid-Twentieth century. Rising from your chair, you store in the treasure box of your mind the golden visions that you have collected and return to this world the richer for your absence from it.

THOUGHTSMANSHIP

That is the main point about books: they add to your personality the wealth sifted and garnered by the world's greatest exponents of (to coin a Potterism) thoughtsmanship. He who prides himself on his self-sufficiency — on knowing all the answers that matter to him — is revealing not the richness of his mind but its poverty.

Books are opiates, like betel or beer, says someone. Of course, but the difference between an ode by Bhartrihari and pan or a pint is that once the pint is consumed it has gone, whereas you can go on consuming Bhartrihari for ever.

Which suggests a point for financiers and economists: whereas pan should be entered as a debit on the current expenditure account on the balance sheet, Bhartrihari can be entered as an indestructible asset that will outlast the life-time of all the company's existing shareholders. Nowadays, it is a fairly safe bet that anyone who maintains an ostentatious standard of living is using up capital, and economists explain why this must lower the standard of living of the next generation. I hereby point out to the economists the exception that proves their rule. You can have your cake and eat it — if it is a book! You can consume the capital invested in Tiruvallura's "Kural" all your life and bequeath it intact to your heirs and their heirs. What is more you have not merely raised your own standard of living by consuming this capital but, by enriching your mind, have spread wider and, maybe, have added to, the spiritual wealth of the world that your heirs will share.

I do not have at hand on this shady verandah any statistics of the number of books sold in India, but my friends in the publishing world say that the overwhelming mass are text books. This is a grim thought. It suggests that most of us read only in order to pass

an exam that will get us a job — after which we never look at a book again. But let no man who has acquaintance only with text books deceive himself into thinking that he knows anything about the relaxation of reading or the joys of discovering other people's minds. For what brings relaxation and joy is diversion and stimulation by original minds, and a man who summarises other people's thoughts in order that students may be supplied with tabloid information sufficient to satisfy examiners, is a potboiler, not an original thinker. It is grim to reflect that most students of economics do not read Keynes but about Keynes, of Philosophy do not read Sankara but a synopsis of Sankara, of History do not criticise Macaulay on the strength of their own judgment of his works but on the strength of someone else's.

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NEW DELHI

BONN AND BRIONI

(From Our Special West European Correspondent)

PARIS, August 19.

THE West German Government has lately been showing so much solicitude for the good opinion of the three neutralists who met last month in Brioni that Bonn, which is accustomed to be called bellicose, has had the surprise of being accused of neutralism. Indeed, some aspects of West German foreign policy have been commented upon with some asperity in Western capitals in the last few weeks, especially since the beginning of the Suez affair. But the charge of neutralism has also come from less partial sources: the Swiss newspaper, 'Journal de Geneve', this week compares Bonn to one of those circus ladies who ride two horses at once. In fact, Bonn's wooing of the Brioni trio does not proceed from Dr. Adenauer being converted to Mr. Nehru's philosophy—that is quite impossible, for one half of a divided country cannot afford the luxury of neutralism. It proceeds rather from a feeling in West Germany that the attitudes of India, Yugoslavia and Egypt have become crucially important in the long struggle for German reunification.

The Western programme for German reunification, to which the Bonn Government is wholly committed depends on the basic argument that the Pankow regime (that is, the Communist polity in East Germany) is no government at all. If the men of Pankow do not constitute a legal government, there can be no question of Bonn having to negotiate with them, as Russia demands it should as a first step toward formation of an all-German Government which can then sign a peace treaty and thereafter hold nation-wide elections. On the Adenauer view, Pankow not being a proper government, there is only one successor State to the Third Reich and that is in Bonn. Therefore only Bonn can negotiate with the four occupying powers the reunification of Germany, hold nation-wide elections to broaden the base of this single German Government and thereafter discuss a peace treaty.

So the proposition that the Pankow regime is not a legal government is a matter of life and death for Bonn; their whole reunification policy (the dominant issue in all German politics) is based on it. It is not at all similar to the American argument that the Peking regime is not entitled to diplomatic recognition. The Americans will admit readily enough that the Peking regime is a government, but it is a government that Washington does not like and whose recognition, Americans claim, would constitute approval of force and hence an unfriendly act in American eyes. Whatever one thinks of this American argument, it has nothing to do with Bonn's attitude to Pankow. Recognition of Pankow would not merely be an unfriendly act toward West Germany but would knock the bottom out of all of Bonn's reunification programme, which is a matter not only of international but of vital domestic politics.

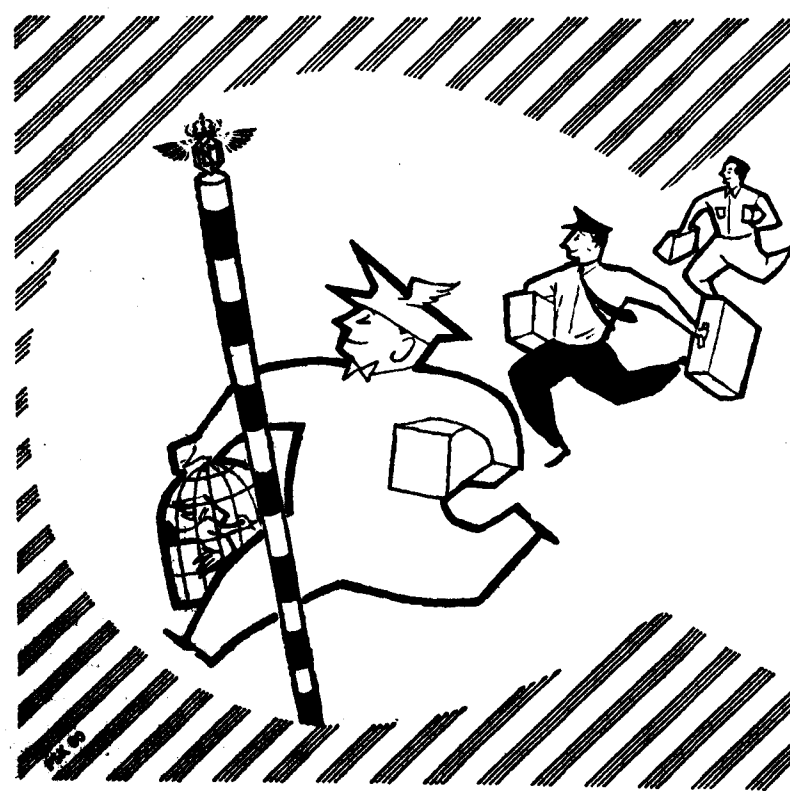
Now the claim that Pankow is not a legal government is of course accepted by West Germany's allies in NATO. And, equally obviously, it is rejected by all the Communist States. Both these attitudes are so automatic as to have very little interest. The interesting judgments would be those of the neutralists, and generally of all countries not closely attached to one or other power bloc. These neutralists are led, it is believed at least in Bonn, by the three men who lately met in Brioni. So it is a question of the most crucial import to West Germany that these three countries should never admit that there exists a government in Pankow. Perhaps the West Germans have exaggerated

this issue out of all proportion. I believe they have. It seems clear that ultimately German reunification is going to be decided in Washington and Moscow, not in Delhi, Cairo and Belgrade; meantime decisions taken in these three latter capitals will of course be important but not totally and finally decisive. But right or wrong, Bonn believes that the Brioni trio hold the key to the next step in German reunification, or at least that a decision by them favourable to Pankow could have consequences disastrous to West German hopes. In particular Bonn talks of a chain reaction that could be set off in Delhi or Cairo: if India or Egypt were to recognise Pankow, then a host of smaller Arab and Asian States would follow suit, until most of the world outside NATO had admitted that there was indeed a legal government in Pankow.

This explains recent West German attitudes to the Brioni countries, and it explains why this attitude should have been marked by so much solicitude that Bonn has taken the risk of offending her Western allies (who in the last analysis are her only active supporters) by seeming to flirt with neutralism. I do not minimise the influence of industrial circles in Bonn, who realise that India has another Five-Year Plan in hand and Egypt is dreaming of the Aswan barrage, and who hope that West German heavy industry will obtain substantial business if these two countries are gently handled. But money is not as important in the case as politics, as is seen in dealings with Yugoslavia where West Germany has laid out a very considerable sum of money in the hope of delaying Tito's possible recognition of Pankow.

Anxiety about the Brioni countries' attitude to Pankow explains the marked cordiality and solemnity of Mr. Nehru's reception in Bonn during his European tour last month. Mr. Nehru was at the time, precisely, on his way to Brioni and the anxious respect with which he was treated in West Germany contrasted with the notorious divergence between his and Dr. Adenauer's assessments of the international situation. The important political conversations he had with the Chancellor and his ministers and the carefully non-committal statement that Mr. Nehru issued afterwards on the question of German reunification must be considered against the background described above. Certainly Mr. Nehru's talks in Bonn must have been as much in his mind as anything else when he said on his return to Delhi that India occupied a place of special importance in the international situation and that respect for her opinion had increased. It is notable too that the Bonn Government during those conversations showed a keen interest in India's second Five-Year Plan, and that Mr. Nehru was passed on to a German organisation concerned with industrial investment.

Soon after the Brioni conference, Bonn was much disturbed when the host at that meeting concluded an agreement with the East Germans on the establishment of an aluminium industry in Yugoslavia. Did this mean, West German diplomats asked Marshal Tito, that Yugoslavia was considering recognition of the Pankow regime? Tito naturally replied no, but observers elsewhere and especially in Switzerland smiled at the scholasticism which enables one to do business with a government without admitting that it is a government. Bonn, however, is not dismayed by a little scholasticism—as long as the Brioni countries do not take the overt political step of confessing that there exists a government in Pankow. To postpone the day when the



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host of Brioni might feel obliged to make this confession, Bonn has just concluded with him a specially favourable agreement whereby Yugoslavia receives 240 million marks of indemnities in bonds repayable after... 99 years! This is a transparent attempt to buy off one of the Brioni countries from recognising Pankow. That it is not motivated by the humanitarian desire to compensate Yugoslavia for damages inflicted by an earlier German Government is shown by the fact that it is made just when the West German Press is openly lamenting the indemnity paid to Israel for the Jews, lest this payment to Israel offend the Arabs to the point where they might recognise Pankow.

West Germany's anxiety about the Brioni trio has been displayed most clearly in the Suez affair. Although the three Western powers who called the London conference on Suez are the only powers who can ever really guarantee German reunification on terms acceptable to Bonn, West Germany has not hesitated to give considerable offence in Paris and London by demonstrating great friendliness to Egypt. This friendliness, which has called forth sarcastic accusations of neutralism in Paris, should not be ascribed to any juridical sympathy with Egypt's seizure of the Canal. West Germany's "neutralism" on this issue has nothing in common with India's. It is founded on the fear that if Bonn offends Cairo (and remember that Colonel Nasser recently recognised the Communist regime in Peking), then Egypt will retaliate by recognising Pankow and a chain reaction of recognition will have been unleashed through all the Middle East.

Western, and especially French, impatience with this caution in Bonn is understandable, whatever one may think of the Western case over Suez. Bonn, and in especial Dr. Adenauer himself, have been the most uncompromising members of the Western alliance for years past. The fullest Western support is demanded for Bonn's case in reunification and even for German irredentist claims to the land beyond the Oder-Neisse line; loud cries of alarm go up if British troops are withdrawn from West Germany. In the early stages of the detente, many people in the West felt that Dr. Adenauer's anti-Soviet rigidity was a liability to peace. But when an issue comes up where the Western Big Three favour a firm line, Bonn begins to coo in neu-

tral accents. French newspapers label this ironically "one way solidarity". It would be different if Bonn's attitude were dictated by moral or legal convictions about the rights of Egypt's action, as India's attitude is. But West German policy has only one axis: reunification without prior negotiations with Pankow. To encompass this end Bonn is trying to pursue the somewhat inconsistent policy of encouraging the most rigid anti-Sovietism in the West while pleasing the Brioni neutralists.

The outcome of this curious policy remains to be seen, but meanwhile India is assured of a respectful hearing in a European country where Mr. Nehru's policy is still believed to be fundamentally mistaken. Joining alliances throws one in with strange and often embarrassing bedfellows. But so evidently does not joining alliances.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

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WORLDGRAM

AGRICULTURE

Food Additives Study: Two UN agencies, the Food and Agriculture Organisation (FAO) and the World Health Organisation (WHO) are planning an international study of possible dangers of food additives. They will investigate the vast number of chemical products added to food for colouring, flavouring or preservation. At a recent joint meeting, leaders of the two organisations said uniform methods will be the first step to be agreed on, providing means for evaluating the safety of food additives. General principles must then be drawn up for use of additives. Meanwhile, information on national legislation and on the properties and effects of various additives will be collected by FAO and WHO staffs, and plans for co-ordinated research will be made. In the United States 850 different chemicals have been recommended as food additives, in Sweden 500 and in Germany about 1,000.

Himachal Pradesh Co-operative Societies Bill: The President has given his assent to the Himachal Pradesh Co-operative Societies Bill, 1956. The Bill seeks to consolidate and amend the existing law and bring it in line with similar legislation elsewhere. Provision is also made in the Bill for the amalgamation and division of societies, registration of farming societies and creation of an educational fund in certain circumstances.

INDUSTRY

Project for Aluminium Plant: The Minister for Heavy Industries, Shri Manubhai Shah, stated in the Rajya Sabha recently that the final recommendations of the two American experts, who recently visited India, to make a preliminary project survey for setting up an aluminium plant, were awaited. Shri Shah said that the plant might have a capacity of 10,000 tons of aluminium ingots per year. It was estimated to cost about Rs. 10 to Rs. 12 crores. The details of the projects, would be settled only after getting the reports of the American experts and of the Expert Committee on aluminium, which had been set up by Government.

Paper Sizes in Metric Units: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for paper sizes. This standard has been prepared to rationalise and reduce the number of sizes of paper used in the country, to enable uniformity being achieved in the sizes of paper used for correspondence, production of books and pamphlets, and to facilitate manufacture. The metric system of measurement has been adopted for designating the dimensions of paper sizes in keeping with the decision of the Government of India to introduce the metric system throughout the country. This standard prescribes the requirements of printing, writing, wrapping and casing paper sizes, both machine made and hand made. With a view to helping paper manufacturers, printers and publishers, a few special sizes have also been recommended for use during the interim period before adopting completely the sizes prescribed in this standard. This standard has been based on the recommendations of the International Federation of the National Standardizing Association. These recommendations have been adopted among other countries, by Germany, Russia, Japan, Sweden and Norway.

Standard for Superphosphate: The Indian Standards Institution has issued the first amendment to the tentative standard specification for superphosphate. This specification was published in 1951. In view of the difficulties then confronted by the industry, certain

relaxation in the specification were allowed, especially with regard to the moisture content and free acidity. The Heavy Chemical (Inorganic) Sectional Committee investigated the present position of the phosphate industry and, on the basis of the data collected, considered it necessary to issue this amendment. In this amendment, the limit for available phosphates based on citrate solubility has also been included in order to popularize this basis for more accurate evaluation of the availability of phosphates in superphosphate.

India's Paper Production: India's paper production is to be stepped up by 75.5 per cent during the second Plan. The present production, estimated at 200,000 tons annually, meets a substantial part of the demand, though a limited quantity of special types of paper and pulp are imported. By 1961, it is expected, the production will be increased by 150,000 tons and employment will be doubled. By the end of the second Plan period, consumption is expected to be about 350,000 tons. The second Plan provides for the expansion of the paper industry in the private sector by replacement and modernisation of existing plants, where necessary, and establishment of new units. Provision for Rs. 44 crores has been made under this programme for fixed capital investment. In addition, the second Plan aims at increasing the production of handmade paper to 4,400 tons by 1960-61. This is to be achieved by setting up 80 factory units, 400 cottage units and 400 school units.

TRADE

Britain's Trade: In July, Britain's trade gap—the excess of imports over exports—narrowed. Excess of imports was £44,300,000—£6,500,000 less than the monthly average in the first half of 1956 and nearly £28,000,000 less than the monthly rate for 1955 as a whole. Announcing this on August 13, the Board of Trade said that the value of United Kingdom exports recorded in July was £266,300,000, according to provisional figures. This was almost the same as the monthly average for the first half of 1956, and 10 per cent above the average rate for 1955. The period covered in the July figures this year contained 25 working days. Imports in July amounted to £320,30,000—three per cent less than the monthly average for the first half of 1956 and one per cent below the average for 1955. Re-exports, at £9,800,000, were about one-quarter less than the average level for the first half.

US Imports: United States general imports during the fiscal year which ended June 30 amounted to \$12,207,200,000 an increase of 16 per cent over the \$10,483,400,000 for the previous year. The Commerce Department revealed imports in June were valued at \$1,032,400,000, representing a decrease of five per cent from the total of \$1,000 million in May. The June figure, nevertheless, was well over the June, 1955, figure of \$936,800,000 and nine per cent above the monthly average for fiscal year 1955 of \$948,500,000.

Exports of Tea and Jute Manufactures: The Minister for Commerce and Industry, Shri T. T. Krishnamachari, revealed in the Lok Sabha that India earned foreign exchange worth Rs. 109 crores by the export of tea in 1955-56 as compared with Rs. 147 crores in 1954-55. Jute manufactures fetched Rs. 118 crores in foreign exchange in 1955-56 as compared with Rs. 124 crores in the previous year.

Items Brought Under State Trading: In a written reply to a question by Shri M. Valiulla in the Rajya

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Sabha, recently, the Minister for Commerce and Industry, Shri T. T. Krishnamachari, said that imports of cement, soda ash and caustic soda had been brought under State trading. In addition, the Minister said, the State Trading Corporation was also handling the imports of gypsum, exports of iron ore, manganese ore and coffee and distribution of cement. He added that it was not possible to state at this stage what more items might be brought within the sphere of State trading.

US World Trade Fair: A US world trade fair, to be held here early next year, is expected to draw at least 100,000 retailing and manufacturing industry representatives. The fair will run two weeks' from April 14 to 27. It will enable manufacturers in other countries to present their products to western hemisphere buyers at a time when they are making their heaviest purchases for the fall and Christmas season. American business leaders consider the fair an important new market place for the efficient purchase of the world's finest industrial, agricultural and consumer commodities.

FINANCE

Andhra General Purchase Tax Bill: The President has given his assent to the Andhra General Purchase Tax Bill, 1956. The Bill seeks to levy a single-point tax at varying rates on the first purchase of rice, paddy, coconuts, copra, raw jute and turmeric and the first sale of sugar effected in Andhra State. It also provides for the registration of all persons doing business in these commodities as dealers but exempts petty dealers from such registration. Under the Madras General Sales Tax Act, 1939, a multipoint tax is levied in Andhra on the sales of all dealers whose turnover is not less than Rs. 10,000 per annum. The number of commodities exempted from the tax is limited and the sale by an agriculturist of the produce of his land is not liable to be taxed. The taxation proposals embodied in the Bill conform to the recommendations of the Taxation Enquiry Commission in respect of taxation of essential commodities.

Japan's Balance of Payments: A deficit of \$11.9 million (£4.25 million) was shown on Japan's international receipts and payments in July, compared with a surplus of \$41.9 million (nearly £15 million) in June. Another \$10.2 million which Japanese importers owe to American or British banks for imported goods must be added to the deficit making the total deficit for July \$22.1 million. The deficit in Japan's international payments was the first since May, 1955.

Customs and Excise Revenue Collected in the Indian Union: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in India during June 1956, amounted to Rs. 12.95 crores as compared with Rs. 13.62 crores in the corresponding month of the previous year. The comparison in the subsequent paragraphs should be taken to refer to that of the current figures with the figures of the corresponding period of the preceding year. Of the total customs revenue collections, import duties accounted for Rs. 10.91 crores as against Rs. 10.73 crores, export duties for Rs. 1.77 crores as against Rs. 2.77 crores and land customs and miscellaneous for Rs. 27 lakhs as against Rs. 12 lakhs. The total gross collection of Union excise duties amounted to Rs. 14.94 crores as compared with Rs. 12.96 crores. During the three months, April to June 1956, the grand total of gross customs and Union excise revenue realised was Rs. 80.19 crores as compared with Rs. 74.43 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for

Rs. 32.85 crores as against Rs. 30.53 crores export duties for Rs. 5.59 crores as against Rs. 7.56 crores, land customs and miscellaneous for Rs. 70 lakhs, as against Rs. 50 lakhs and Union excise duties for Rs. 41.05 crores as against Rs. 35.84 crores.

World Bank Loan for Tata Steel Company: Shri B. R. Bhagat, Deputy Minister for Finance, revealed in the Rajya Sabha that the World Bank had already granted to the Tata Iron and Steel Company, a loan for Rs. 35.71 crores, at a rate of interest of 3½ per cent per annum, inclusive of 1 per cent statutory commission charged by the Bank. Repayment of the loan is to begin on December 1, 1959, and the last payment is to be made on June 1, 1971. The loan has been guaranteed by the Government of India. Referring to the particulars of the securities on which the Government have agreed to guarantee the loan, Shri Bhagat said, "The agreement between the Government of India and the Company containing these particulars has not yet been finalised."

GENERAL

France's Tourist Traffic: Foreign tourist traffic in France has exceeded 4 million in the year 1955. According to statistics released by the Direction Generale du Tourisme, Paris, 4,010,000 foreign tourists visited France during the year 1955. This represents an increase of 11 per cent over the year 1954 and testifies to the growing popularity of France's tourist attractions with the peoples of different countries. Among the tourists, Belgians come first with 797,000 visitors, closely followed by the British with 672,000. From across the Atlantic, the flow of tourists to France is steadily progressing and for the year under review, North Americans accounted for 485,000 visitors while Germany had 482,000, Switzerland 410,000, etc. The predilection of the British for France is amply demonstrated by the biggest number of nights, 5,626,000, spent in France by tourists from Great Britain. France's tourist income for 1955, controlled by the Exchange Office, amounts to 195 million dollars; but it can be estimated that foreign tourists have really spent about 350 million dollars in France.

Lausanne Fair: The 37th Lausanne Fair, Switzerland's biggest autumn trade fair, will be taking place this year from September 8 to 23. This important economic event, which has been said to be the embodiment of the industry and labour of the Swiss people, is essentially national in character. The opportunity that it affords of forming an overall picture of Swiss production exerts a decisive influence on the Swiss economy as a whole. However—and for the moment it is the only one of Switzerland's trade fairs to practice this liberal policy—each year it invites one foreign country to participate with an exhibition of its own organised by the government of the country concerned and placed, generally, under the aegis of the country's diplomatic representatives in Switzerland. A number of official foreign pavilions have in this way furthered economic, cultural and social exchanges between Switzerland and her guests: France, Belgium, the Netherlands, Italy, Morocco, Tunisia, the Belgian Congo, Brazil, India and the Argentine. This year the Fair's guest of honour will be Canada. The Ministry of Trade and Industry in Ottawa and the Canadian Embassy in Berne are responsible for organising their country's exhibition, which promises to be exceptionally brilliant. The emphasis will be on Canada's economic evolution during the course of this century, the progressive industrialisation of the country, the immense resources of its agriculture, forests, fur trade and fisheries, as well as on its handicrafts, which will add an extremely interesting and colourful touch of folklore.

NEWS IN BRIEF

INDIAN

Exports of jute manufactures from India earned Rs. 118 crores in foreign exchange in 1955-56.

A sum of Rs. 151 lakhs has been provided in the second Five-Year Plan for subsidising State Government schemes to set up dental clinics in district hospitals.

The Cotton Textiles Export Promotion Council has opened offices at Baghdad, Singapore, Lagos, Aden, Rangoon and Mombassa since January this year.

Paper machinery of the value of Rs. 1,20,000 was manufactured in India during 1955.

A new plan to use dried milk for improving nutrition standards in a large urban area will be first undertaken in Calcutta, with the help of the U.N. Food and Agriculture Organisation.

Twentyfive African students in India were given training in small-scale industries in the Regional Institute for small-scale industries, Bombay, in June last.

The quantity of cotton waste exported from India to the U.K. rose from 204,355 cwt. in 1954-55 to 246,214 cwt. in the next year. Exports were lower in the last year compared with 1952-53 and 1953-54 when 300,602 cwt and 299,400 cwt respectively were shipped to the U.K.

Exports of mill-made cotton piecegoods and other cotton textiles from Bombay port during the first half of the current year showed a 7 per cent decline compared with the figures for the half-year ended June, 1955.

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the index number of agricultural production in India for 1955-56 (with 1949-50 production as 100) stood at 113.7 as against 116.4 (revised) for 1954-55.

The Reserve Bank of India has decided that from September 3, 1956, authorized dealers in foreign exchange may deal in U.S. and Canadian dollars at rates to be decided by market conditions.

It is reported that total coal dispatches improved to 188,520 tons in July 1956 from 158,577 tons in June this year.

For the purpose of developing mandies in the Bhakra project area of Rajasthan, the State Government has appointed a Committee of officers. The Committee has been vested with powers to select sites, approve plans, acquire land and sell plots in the project area.

FOREIGN

The new Indonesian export premiums, payable in rupiahs, range from 5 per cent on palm oil and palm kernels to 20 per cent on sisal. Other percentages are: rubber 8; coffee 10; tea 16; pepper 10; tobacco 8; and copra 10. There will be no premiums on oil, tin, sugar and quinine.

It is reported that turn over in Dutch retail trade during June rose sharply compared with a year previously, the increase ranging between 5 and 31 per cent.

Soviet output of steel amounting to 4 million tons per month, is now larger than the joint steel production of Britain and Germany. But Russia manufactures fewer than 7,000 passenger cars per month—less than half a week production of either Britain or Germany.

El Al, Israel Airlines will receive a credit of £1.5 million sterling from a number of British banks as a result of an agreement reached in London.

The U.S. Commerce and Labour Department announced recently that new construction for the first seven months of this year reached a record high of \$24,100 million.

The Bank of Canada has announced an increase in interest rate from 3 to 3½ per cent a new high record.

According to statistics released by the Direction Generale du Tourisme, Paris, 4,010,000 foreign tourists visited France during the year 1955. This represents an increase of 11 per cent over the year 1954.

Foreign airlines bought 25 Lockheed transports in the first six months of 1956 and helped to push the Company's backlog of orders for commercial aircraft to an all-time record of \$465 million — more than double the mid-1955 figure.

Seven of every ten Americans were covered by some form of life insurance in 1955, the Institute of Life Insurance reports in its 1955 Life Insurance Fact Book. This total represents 115,000,000 persons.

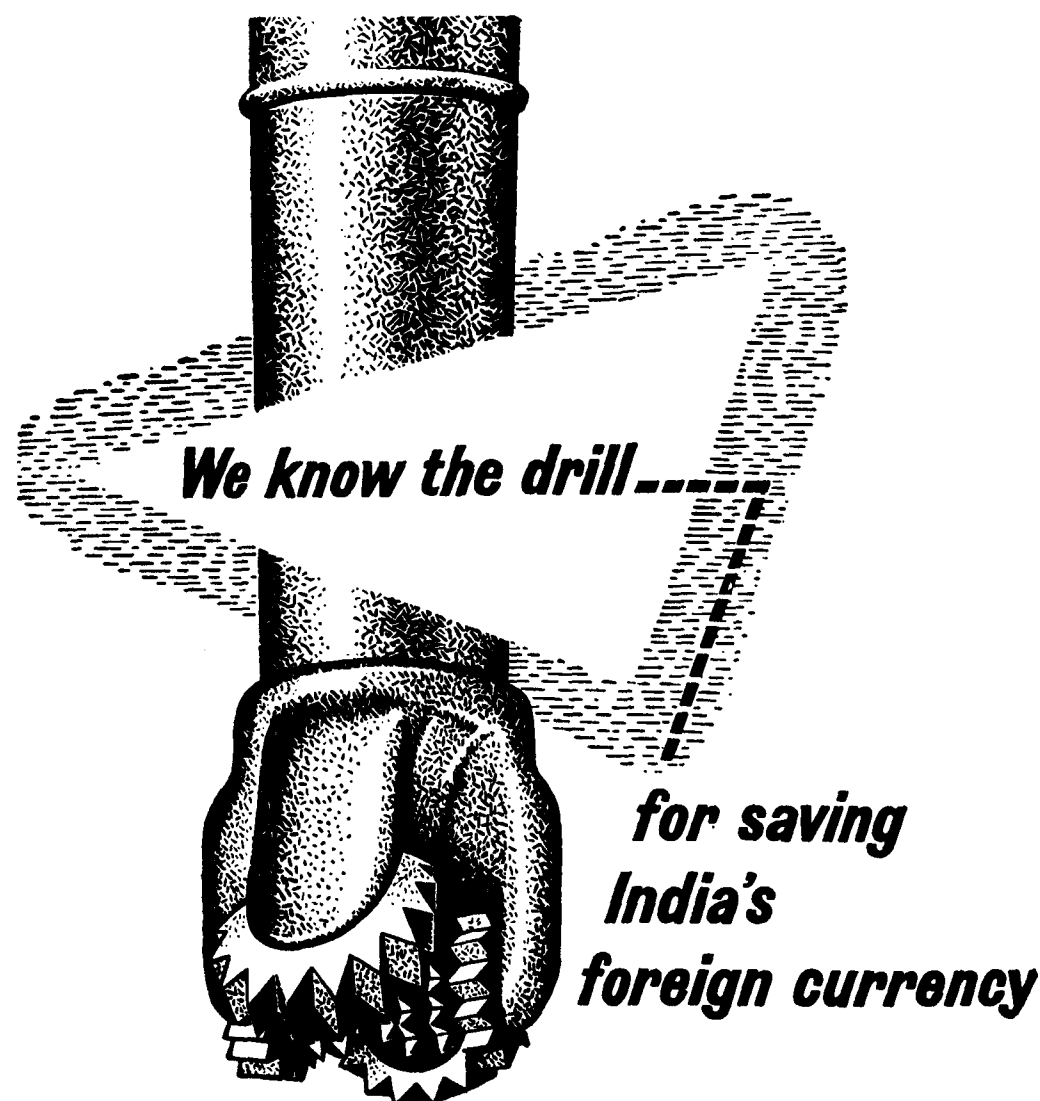
It is reported German oil output in July for the first time exceeded 300,000 tons of crude corresponding to about 28 per cent of German requirements.

The world's biggest tanker, the 84,730 tons Universe Leader, was launched recently in Southern Japan. The Universe Leader, 780 feet long and 114 feet wide is the fifth largest ship in length in the world.

Malayan exports of tin in July fell sharply by 16.7 per cent to 5,846 tons. Exports in June, however, at 7,014 tons were abnormally high. The July exports rank fourth highest this year.

Japanese exports of cotton piece-goods during the first six months of the year were up 31 per cent over the same period in 1955.

The Egyptian Ministry of Agriculture has announced that the area of cotton under cultivation in Egypt is 1,653,000 fedans compared with 1,816,000 fedans last year.



Oil from abroad costs valuable foreign exchange. Oil from inside India saves it. And we must have ever-increasing quantities to cope with the expansion of industry and agriculture.

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Special Articles

CO-OPERATIVE FARMING IN CHINA

IN July 1955, only 15 per cent of the total of 120 million peasant families in all-China were members of semi-socialist producers' co-operatives. But by the end of March this year the percentage of peasant families covered by co-operatives shot up to 90. Scarcely had these co-operatives been organised when large numbers of them were transformed into collectives. Such collectives covered, as at the end of March last, nearly 55 per cent of all peasant families. As this figure (55), it is expected, may rise to more than 90 per cent only by April-May next year, there would still be a considerable sector of semi-socialist co-operative farms for some more months. The official Indian delegation led by Mr. R. K. Patil is now in China, probably devoting greater attention to these semi-socialist co-operatives than to the earlier mutual assistance teams, or to the latest collectives. The mutual assistance team, incidentally, was one where the peasants merely helped one another in busy seasons. But the producers' co-operatives which, after attracting world attention, are now yielding place to collectives, are of more than academic interest in view of the Indian Planning Commission's proclaimed interest in co-operative reorganisation of agriculture. What a Chinese producers' co-operative is and how it is run, are currently relevant to any examination of the Planning Commission's co-operative farming policy.

The kind of agricultural producers' co-operative which has attracted Prime Minister Nehru's attention is defined by the Chinese as a "semi-socialist co-operative in which land is pooled as shares and which is run under a single management". The land so pooled is still privately owned and the co-operative pays a fixed dividend for its use. Cattle and farm implements are also mostly privately owned. Such livestock and tools as are transferred to the co-operative as common property constitute only a small part of the total.

This co-operative which the Chinese also describe as 'the elementary form of co-operative' bases the value of a land share on yields for a normal year. Where, for example, the value of a share is settled as 1½ cwt. an average yield of 27 cwt. from, say, a 3.8 acre plot pooled by a member would represent 18 land shares.

The co-operative deducts from its gross income funds for production costs, welfare and reserve. Production costs here do not include labour costs. Of the net income either 40 or 30 per cent (40 in the first year and 30 in the second year) is allotted for payment on land shares and the rest for labour. When the gross amount payable on account of land is divided by the number of land shares the dividend on each share is settled. Where, for example, the dividend for a land share happens to be 37 lbs. the member holding 18 shares would draw 6 cwt. Where the member also puts in work he is, of course, paid appropriately from the dividend-wage fund.

As for labour, it is paid for in a semi-socialist co-operative in the following manner: When the dividend-wage fund is settled it is easy to determine the wage fund separately. As the unit of payment is the work-day, the work-days put in by all working members are totalled up and the amount of the wage fund is divided by the total number of work-days to get the wage-rate as so many lbs. per work-day. A member

with most work-days to his credit would get most pay. This, the Chinese say, is the proper socialist principle of payment according to the work done—more work, more pay. If, again, for example, it is laid down that 38 lbs. of cotton should be picked in a normal work-day, anybody who picks 57 lbs. a day is credited with 1½ work-days for purposes of wage payment.

As for draught animals belonging to members, the co-operative may adopt one of three methods. It may buy the animal at the market price if the member wishes and pay for it in instalments over three years with something added for interest. Or the owner can own the animal while the co-operative has the use and care of it and pays an annual interest on its assessed market value. Under this (second) arrangement, the owner can enter into a short-term contract with the co-operative and, when it expires, take the animal back. If the animal dies during the pendency of contract, the co-operative pays the owner compensation. By the third method the co-operative hires the animal, paying the proper hiring fee every time it is used, but here the owner is responsible for the maintenance and care of the animal. The bigger tools are also handled in one of the above three ways while small tools are still owned and used by the individual members.

The reserve fund may account for anything from 5 to 10 per cent of the entire gross income of the co-operative. The reserve fund is thought of as a "capital goods and capital construction fund" for financing the purchase of animals, carts and farm tools and the building of water conservancy works. The welfare fund which accounts for not less than one per cent of the co-operative's gross annual income is used mainly on welfare and cultural services for the members.

As for production costs, every member has to make an annual contribution towards them—seed, fertiliser and insecticide — and buying and hiring of the draught animals and tools. The size of the contribution would depend on the amount of land pooled and labour put in. In the case of one co-operative, it has worked out at 55 lbs. of grain for each land share and 5 cwt. from every able-bodied worker. Poor peasant members who lack resources of their own are enabled to get loans from the State banks at low interest and on long repayment-terms and thus to contribute towards the said costs.

The foregoing account of the working of semi-socialist co-operatives is based on an authoritative Chinese version. The 'advanced co-operatives' which are being rapidly evolved out of the agricultural producers' co-operatives, are actual collective farms. These collectives which the Chinese call 'socialist co-operatives' hold all land, animals and tools under joint ownership. When the semi-socialist co-operative is transformed into a 'fully socialist co-operative' the dividends on land shares are abolished and a peasant's income is reckoned only by work done. The abolition of land dividends means that the 'rich peasants' — defined as having more land than they can work themselves and as hiring labour — are eliminated as a class. Even the 'middle peasants' — those with enough land to live on and who do not hire labour — are not only eliminated as a class of land-owners with the abolition of land dividends, but are reduced to the position of 'poor peasants' who have no land or so little that they have to hire themselves out as labourers.

These 'poor peasants', incidentally, constitute up to three-fourths of the membership of semi-socialist co-operatives.

The collective farms, according to the Chinese, represent 'the higher stage of co-operation' and are loosely referred to in our own country as 'co-operative collective farms' although they have finally disposed of the private ownership of land. A collective farm of the kind is run by a director and his deputy, assisted by small administrative staffs and responsible to a managing committee. This committee which meets almost every two weeks is elected by a conference of farm representatives that meets every three months and each of whose delegates represents eight to ten families. Peasants are organised into work groups and the leader of each group assigns tasks for that group. Work is done under the general supervision of the

managing committee, which decides what crops are to be planted each year.

It is just possible that a collective farm may register an increase in the area of cultivated land by anything up to 5 per cent following the merging of plots and elimination of boundary ditches and bunds. But the success of collective farm movement would have to be demonstrated, in the ultimate analysis, by a phenomenal rise in farm production. This would depend not only on better seeds and fertilisers but on the efficient running of the collective. Trained men are not easily and suddenly found for directing the work of hundreds of families in a collective. There is also the danger of too much centralisation and of mistaken direction by Communist party officials who are mostly not agricultural experts.

AUTOMATION IN THE UNITED STATES

(CONTRIBUTED)

IF the past is any guide to the future, the United States population of 1976 will demand twice the quantity of goods and services available today. Yet the work force 20 years hence will be only about 30 per cent larger than it is now. Using the machines and methods available today, industry would be able to produce only about 70 per cent of the goods and services demanded. This would mean a shortage of 76 billion man hours of labour in 1976.

How can America meet such a threatening labour shortage? Work 11.5 hours a day? Recruit more labour among students, house-wives and retired persons? Such courses might be taken by totalitarian regimes but they would hardly be imaginable in an economic system dedicated to the welfare of the individual. The only answer lies in technological improvements, such as automation. Every ingenious invention, every new tool to increase productivity, will help the available work force fill the demands of the steadily growing population. Without such technical advances, in another 10 years the problem in America, and in many other parts of the world, will not be too many workers, but too few. Nevertheless, people all over the world are worrying and talking about the effects of this new industrial revolution. Automation will raise some problems, as all social changes, however beneficial, inevitably do. Many fear that automation will move too swiftly and cause sudden dislocation of labour. They forget the difficulties of thinking through, designing, and installing automatic equipment. Also, the high cost and limited applicability of automation makes its adoption gradual.

One of the leaders in the movement toward automatic control in manufacturing is the chemical industry. Yet employment in this industry has increased dramatically, more so than in industry as a whole. For the past decade jobs went up 50 per cent in the chemical field and the average weekly earnings of production workers have stayed well ahead of the cost of living, according to the Bureau of Labour Statistics. The new and improved tools relieve workers of jobs once shunned because they entailed back-breaking toil. Operators of these machines are less tired, receive more pay and have more leisure hours. Few complain of boredom. Automation, which makes machines do the monotonous, repetitive work that tires the body and dulls the mind, is bringing new dignity to man's life and more and cheaper consumer goods.

Far from destroying jobs, automation's effect will be a shift from menial labour to more highly skilled,

better paid, safer and more stimulating jobs. Continuous processes are intricate and require more and more well-trained technicians. In the highly instrumented Du Pont plants, for instance, the number of maintenance mechanics has increased 67 per cent in just seven years. Already, automation has created its own new industry. Today there are more than 1,000 companies—big and small—engaged in the manufacture of automatic control equipment. It is one of America's fastest growing industries. Investment needs will be high. In the next 10 years expenditures to replace out-moded machinery with improved equipment for the growing work force of the nation are expected to be about \$500 billion. If people are to continue to prosper they have but one choice: they must continue to improve their ability to produce. And an advancing technology is the only answer.

A man who made a life study of technology's effect upon labour was the late Philip Murray, who was President of the Congress of Industrial Organizations. In 1951, Mr. Murray said, "I do not know of a single, solitary instance where a great technological gain has taken place in the United States that has actually thrown people out of work. . . . Because the industrial revolution of the past 25 years in the United States has brought into the employment field an additional 20 million people."

*

Automation's child prodigy, the electronic computer, extends man's mental capacities beyond anything we have imagined. However—amazing as these instruments may be—they are nothing more than a logical extension of the use people have learned to make of tools. It is a process that has been going on ever since the first cave man learned that a rock could be moved with a stick, used as a lever, more easily than with his bare hands. As man's tools became more complicated—and expensive—his job provided higher pay for shorter hours, because he could produce more. Today, in many industries, the tools of one worker cost more than the investment needed for a small enterprise. In the chemical plants of the Du Pont Company, for instance, the "tool-kit" of the average worker costs about \$25,000. The investment for the whole company was \$36,000 when it was started about 150 years ago. But even allowing for the change in the value of the dollar, this is a startling comparison.

Indeed, operators may soon be controlling and caring for a unit representing a greater investment than an entire plant but a few years ago. These new industrial units require a growing proportion of skilled workers. Brains have largely replaced brawn. Operators and mechanics exercise a rising degree of judgment, selectivity, and responsibility.

The petroleum and chemical industries are the most automated in America. If it were not for this fact, the women of the United States would not have nylon stockings, the motorist would spend more for inferior gasoline and tires, and the farmer would pay more for less effective fertilizer. New methods in automatic control have made possible much of the growth—the new products and new jobs—in the chemical industry. The manufacture of cellophane over the years at Du Pont plants, for example, created 5,000 new jobs in the company, but also put into business over 300 cellophane processing companies. A similar case is that of one of the newest industries— aerosol packaging. Over a thousand small companies are engaged in making aerosol products. Without automation, the industry would have been unable to produce "Freon" propellents for most of these push-button packaging outfits at satisfactory prices. In the accounting field, automatic business machines have brought great changes in recent years with electronic book-keeping machines, computers, analyzers, tabula-

tors, and so on, replacing hand methods. Yet the number of office machine operators in the United States is expected to double in 10 years according to the National Office Machine Association.

But just as much as automatic factories will never be workerless factories, offices with electronic brains will still require operators, secretaries, receptionists, office boys, etc. And just as in factories, automatic machines in offices will need many people for installation, maintenance and supervision. Another problem that might find its solution as a result of automation is the employment of elderly people. Automation will greatly extend the useful work life of the older worker whose ability is not what it used to be. On the other hand, it will also make it much easier for the people who are working to provide the goods and services needed by those who are no longer working.

With fewer people needed in factories and farms, more stress can be put on the sciences, art and professions. Increases in services, such as medical and educational, will necessitate more doctors, teachers, and other specialists because each can care for only a limited number of people. Once automation hits its full stride, increased leisure will open new vistas. There will be more time for travel. More hotels and more sports equipment will be needed. There will be a wider demand for entertainment. New industries, and new employment opportunities will emerge.

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Economic Report from the U.S.

WORLD COTTON SITUATION

(BY GUY SIMS FITCH)

WASHINGTON, August 21. — The International Cotton Advisory Committee's current appraisal of the world cotton situation is much more optimistic than some observers anticipated a few months ago, when the United States announced its programme of selling its reserve stocks at competitive world prices. The inter-governmental organization of 33 cotton producing and consuming countries forecasts that this will be a healthy year for the world cotton trade. This prediction effectively bears out the US contention that its disposal programme, carefully conceived and administered to project the interests of other cotton exporting nations, need have little adverse effect on cotton markets.

Analyzing current conditions, the I.C.A.C. estimates cotton carry-over stocks in the hands of Free Nations at 21.9 million bales as of August 1. This, it is true, represents a gain of 1.4 million bales during the last marketing season. But—and this is an important qualification—US stocks accounted for the entire increase; stocks in other countries actually dipped 1.9 million bales to a total of 7.4 million, the lowest level on the Committee records. These stocks are particularly low in terms of the present level of cotton consumption. Rising usage by the Free Nations has caused the Committee to revise its consumption estimates upward once again—a fairly constant trend in recent years. Consumption for 1955-56 now is put at an all-time high of 28.2 million bales.

Looking ahead to 1956-57 the Committee finds the outlook even more favourable. With populations increasing and economic conditions generally good, basic demand for textiles should continue to expand. A factor in this expansion is the growth of cotton textile industries in many newly developing countries. Also contributing to the high consumption rate will be somewhat lower prices, which will enhance the ability of consumers to purchase cotton goods while bringing cotton into a better competitive relationship with rayon and other synthetics. Price reductions have not been excessive, nor have they disrupted the cotton trade. In fact, with much of the uncertainty regarding prices now eliminated, traders may well look forward to a new measure of stability in cotton markets. Maintaining this stability will require some forbearance by exporting countries, of course. I.C.A.C. officials here are highly encouraged, in this regard, by the demonstrated disposition of the US Government to hold to a sales price once it is set and to sell its reserves in such a manner as not to disrupt international markets. And they trust that other exporting countries will not be tempted to lower prices or unload their cotton on world markets too rapidly.

Another encouraging factor, as far as US policy is concerned, is the continuing effort of the Government to hold down American cotton production as a means of reducing the large and unwieldy reserves that have hung over US and world markets. Indicating that this effort is meeting with some success, the steady climb in US reserve supplies may be reversed this year. National cotton acreage in the United States has been cut so the point where the smallest harvest in 75 years—13.9 million bales—is in prospect this season. This means that for the first time in five years, the season's yield bids fair to fall below the total of US consumption and exports.

Even if exports under the new US sales programme should increase substantially over last year's abnormally low 2.3 million bales, they still would not upset the I.C.A.C. calculations of expanding world trade in cotton this year. With stock in other countries extremely low and world consumption on the rise, prospective requirements appear to be sufficient, the Committee notes, to absorb all the cotton produced outside the United States plus an expanding export volume from the United States.



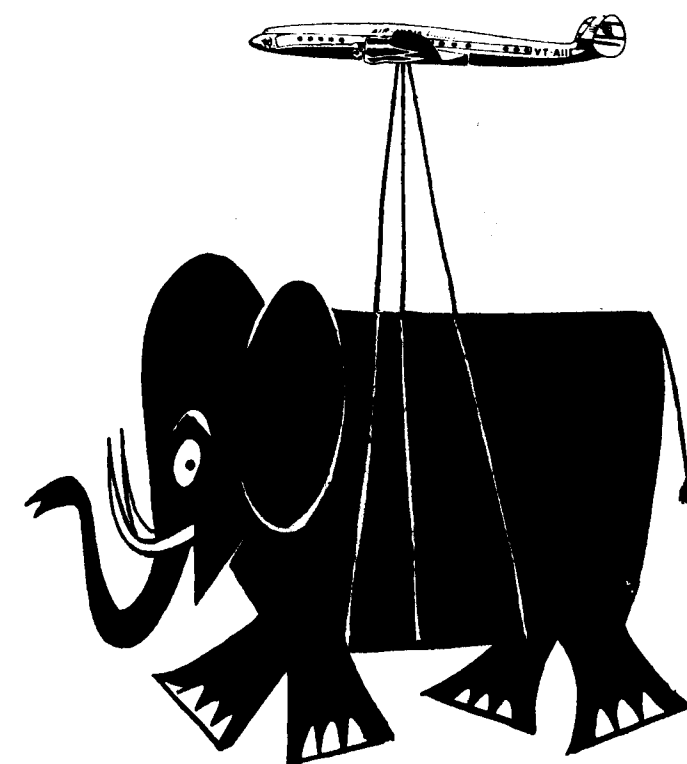
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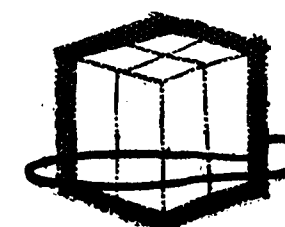
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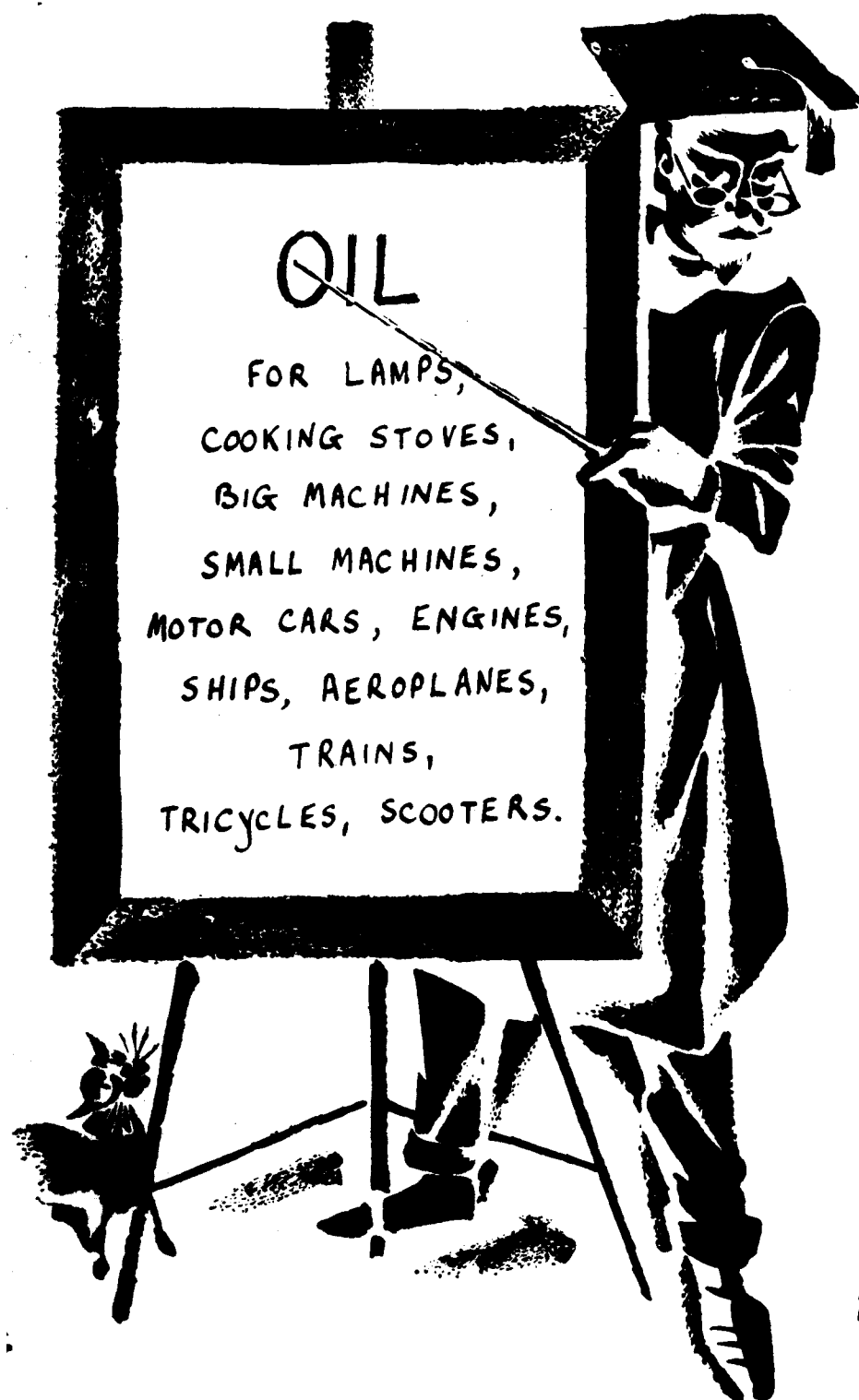
By
CROESUS

WHEN the Lok Sabha approved the proposal to form a bigger bilingual Bombay State, many thought that it would put an end to all controversy, at least in regard to Bombay. But events since have shown that it has served only to shift the scene from Bombay to Ahmedabad. Mahatmaji and the Sardar must have been severely shocked out of their sepulchral slumber at seeing the tragedy enacted in parts of Ahmedabad, both before and on the eve of the meeting of the Gujarat Pradesh Congress Committee to consider the Lok Sabha's decision. That the G.P.C.C. would endorse the decision was a foregone conclusion, notwithstanding the fury of the insensate mob rule that seemed to have seized Ahmedabad for over a week. What was not foreseen was the calculated disrespect shown to Mr. Morarji Desai, Bombay's Chief Minister, by staying away from the meeting he was to have addressed after the G.P.C.C. meeting to explain the decision of the Congress, nay of the nation, inasmuch as both the Houses of Parliament have since accepted it. In fact, this sudden decision was the direct outcome of some Members of Parliament themselves seizing the initiative in their own hands with a view to solving this knotty issue. Normally, a decision sponsored thus and under such auspices, though not fully acceptable to all sections of the concerned public—one has yet to know of any of the decision on such a controversial subject getting the approval of all concerned—should not have had the reception it had, especially at the hands of Gujaratis in Ahmedabad. Even the G.P.C.C. resolution that rejected the bigger bilingual Bombay proposals, as Mr. Shantilal Shah, Bombay's Labour Minister, and the G.P.C.C. itself have done well to remind the public, left the door open when it said that, as a disciplined body of Congressmen, it would accept any verdict given by the A.I.C.C. as being in the best interests of the country. It is, therefore, interesting, if not intriguing, to ascertain the reasons for the unpredictable behaviour of a section of the Gujarat public in Ahmedabad, which has driven Mr. Morarji Desai, undoubtedly the tallest and the most respected Gujarati leader alive today, to resort to the extreme step of going on an indefinite fast, after exclaiming: "Rather than see Gujarat with its glorious traditions destroyed before my eyes, I thought I should perish so that Gujarat may live and become a source of strength to the nation". The Gujaratis are neither so short-sighted, nor do they lack that degree of shrewdness, as to let any such calamity overtake them and it is certain—events since Mr. Morarji went on fast amply demonstrate it—that they will so conduct themselves as to persuade him to give up his fast as early as possible.

But to revert to the reasons for the strange, though understandable, behaviour of Gujaratis; I think Mrs. Lilavati Munshi and Mr. Shantilal Shah have given the real reasons. Both of them, be it noted, have welcomed the decision unreservedly. Mrs. Munshi stated in the Rajya Sabha: "The way the Lok Sabha, in its wisdom, has imposed the national solution at the eleventh hour on Gujarat, to say the least, is unique in its haste. Even if the solution is good, it should have been first explained to the people of Gujarat. Our leaders took great pains to explain their point of view to the people of the Punjab, Maharashtra, Hyderabad and many other States but the people of Gujarat were taken for granted." This could not have been said in a fit of pique,

and, apart from whether, in the circumstances in which the decision in question was taken, the course referred to by Mrs. Munshi could have been adopted or not, it is difficult not to appreciate the appropriateness of her suggestion from a psychological point of view. She was also perhaps right in complaining that no Congress leader had thought it fit to soothe the Gujaratis "in the hour of their trial" and show friendliness to them. But one wonders if this is not *begging* the question, for Congress leaders never dreamt that there could be such reaction from Gujarat. Moreover, after the mischief was afoot—whoever may be to blame for it—it is doubtful if any useful purpose would have been served by any Congress leader visiting Ahmedabad until tempers had cooled down, if the *manhandling* of the Congress President when he came out of the G.P.C.C. meeting is any pointer. Mahatmaji, the shrewd judge of human psychology that he was, is seldom known to have rushed to trouble spots without allowing some time to lapse. Be that as it may, the other reason given by Mr. Shantilal Shah was that "as the decision came suddenly, perhaps they could not adjust themselves to it. It might have given a shock to some and might have resulted in personal disappointments and pecuniary losses to a few."

But all these notwithstanding; it is as futile as it is foolish at this stage to resist the decision. The decision has a lot to offer, by way of a lesson not only to Maharashtra and Gujarat, but to the country as a whole. If, as a result, this national solution is extended to other areas also, it would be a great gain. Meanwhile, all energies must be bent to making the bigger bilingual Bombay experiment a success. It is a splendid idea, therefore, of "The Eastern Economist" to have decided on making the theme of its Blue Supplement for this month "Bilingual Bombay". Already certain suggestions as to how to make the bilingual formula work successfully have been put forward as, for example, by Prof. D. R. Gadgil, who, it will be remembered, was the Chairman of the Drafting Committee which presented Maharashtra's case before the States Reorganisation Commission. While I fully endorse Prof. Gadgil's pre-requisite for economic policy, namely "a somewhat difficult combination of the elements of rigidity and elasticity," I do not know whether his language policy does not err on the side of over-rigidity. Nor—I must confess—am I able fully to follow what he means by insisting on the minimum essential arrangements that are needed to make bilingual Bombay a workable proposition, namely, that "the new State should be treated as strictly bilingual — a composite State of two language groups. It should have two major regional divisions—Maharashtra and Gujarat—with Bombay city forming a separate regional unit". The only redeeming feature in this concept is that Bombay city is left alone, but otherwise, the proposition seems to make things too watertight and would not be conducive to closer understanding and coming together of the two peoples whose relations have been rather unduly strained. It is significant, in this connection to note that both Mr. Chandulal Parikh, M.P., and Mr. Shantilal Shah have drawn pointed attention to the fact of the Gujaratis constituting a minority in the new bigger bilingual Bombay State, which has been a sore point with them all along and which, more than anything else, has accounted for the recent happenings



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at Ahmedabad. Although Mr. Shantilal has urged Gujaratis to shed their fear complex on this score, Mr. Parikh plainly told the Rajya Sabha that the leaders of Gujarat had accepted the proposal in the national interest with the confidence that Members of Parliament responsible for the decision would ensure that no injustice would be done to Gujaratis who would be a minority in the new State. A brilliant idea—so me-thinks—occurs to me to dispel this minority complex. It is that, as a gesture to Gujaratis and out of thankfulness that they have been able to get all Marathi-speaking areas under one State, the Maharashtrians

should establish a convention that in all important bodies they would undertake to return a given number of Gujaratis from their (Maharashtrian) constituencies so as to equate the number of Gujaratis and Maharashtrians in all these bodies. This would be ideal and the first best. If this does not find favour, for any reason, the separate unit that Bombay city is to be, even under Prof. Gadgil's scheme of things in an ideal bigger bilingual Bombay, should be at special pains to bring about a better balance as between the two regional interests. Cosmopolitan as Bombay fortunately remains to this day, it may be expected to exercise its influence to hold the scales even and to ensure the successful working of bilingual Bombay. Finally, neither regional group must be allowed to work insidiously, whilst remaining inside the bilingual Bombay State, for a unilingual State ultimately. Any sign of this should be scratched immediately it is noticed and both the Central Government and the Congress must not hesitate to sequester and severely deal with anyone indulging in such a traitorous pastime.



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BOOK REVIEWS

PRICE CONTROLS IN OPERATION

Price Controls in India Since 1947: By Dr. Ram Gopal Agarwal. Available from the Author at 28, Ferozeshah Road, New Delhi. Price Rs. 7/8/-.

It is significant that a general system of price controls had not been considered necessary during the period of the first Five-Year Plan. This in spite of the fact that deficit financing to the tune of over Rs. 400 crores was incurred during the last five years. Price controls are by no means inevitable concomitants of planned economy in a free society. The popular dislike of price controls to which Mr. T. T. Krishnamachari, Minister for Commerce and Industry, refers in his foreword to this book is matched by the equal and perhaps more easily comprehensible fear of any general rise in prices. Dr. Agarwal's book attempts to sketch the history of price controls in India in post-war years with special emphasis on the assessment of the effects of such controls on producers, distributors and consumers. The treatment given to the subject is competent and exhaustive. It must be said to the credit of the author that while paying careful attention to details, he has not missed the wood for the trees. All through the book one senses not only a knowledge of the theoretical justification for price controls in certain situations but also an awareness of practical difficulties of continuing a system of price controls over long periods.

The author's attitude to the future of price controls is appropriately stated by Mr. T. T. Krishnamachari; "In embarking on price control, a point has been stressed by the author. Price control during peace-time is a weapon that is to be used according to the circumstances then prevailing. One does not impose price control for the sake of price control if a certain level of prices can be obtained by other means. A Government in power has various other powers in its armoury, among them the monetary and fiscal weapons." The book also contains chapters such as Price Controls and Fiscal and Monetary Policy, Price Controls, and Tariff and Trade Policy. The two notes, one on the Index Number of Wholesale Prices and the other on the Provisions of the Constitution and Central and State Legislation relating to Controls and a fairly comprehensive index are features to which attention needs to be drawn. They should prove useful for ready reference.

This brief review of price controls in India is just the kind of book which helps one to keep in mind the difficulties encountered in the past while assessing the needs of the future. The book, therefore, promises to be of value as an aid in evaluating issues of policy, but it is bound to be of good assistance to the student of economics who will find sufficient data in the book to develop further thought on the subject.

ECONOMICS IN THEORY AND PRACTICE

Economic Theory and Practice in India: By Sudhir Das Gupta.

Only few persons in India can lay claim to possessing that harmonious blending of both economic theory and practice which conditions in our country today demand. Many of our academicians—even some of the tallest of them—are pure theorists, having hardly any knowledge of, or opportunities to acquaint themselves with, business practice, while a majority of our business men—this number fortunately is dwindling—know next to nothing about the theory of economics. There is as such urgent need to "apply theory into practice and to deduce theories from practical experience", as Mr. Sudhir Das Gupta rightly observes in

his pamphlet on "Economic Theory and Practice in India". It is a pamphlet which should be of great value to our academicians, business men and students of economics alike. The pamphlet, which formed the subject-matter of a lecture of the author, delivered at the Delhi School of Economics, provides ample food for thought.

Mr. Das Gupta examines his thesis—Economic theory and practice in India—from several viewpoints, namely, historical, political, sociological, and philosophical, and asks our planners and policy-makers not to be merely carried away by dogmas and ideologies, as many of them are wont to. Instead, he appeals to them to make a realistic approach to economic thinking and practice as applicable to India.

Citing the example of the British economists, the author pertinently points out how, from Adam Smith down to Pigou, almost every one of them has taken socio-economic conditions prevailing at the time into considerations and formulated their doctrines and theories in the context of these conditions. In our Universities, these very theories are taught without even dotting the Is or dashing the Js—presumably because we do not have our own theories, nor have we seriously cared to have them. In consequence, students of economics often find themselves in the most unenviable and embarrassing situation, in that they find foreign economic theories as useless as they are alien, inasmuch as these do not naturally fit into India's socio-economic framework.

Criticising the Government's Tax policy, Mr. Das Gupta observes that our Taxation policy is unrealistic and that Government's economic policies generally have an unmistakable bias towards the left.

Concluding, Mr. Das Gupta appeals to students to develop their own theories with the help of modern tools of analysis like, Econometrics, The Cobweb's Theorem, and the Acceleration Principle, etc; and not to lag behind the galaxy of Western thinkers; like Kahn, Sweezy, Kaldor, Kalecki, Nurkse, Triffin, Stigler, Galbraith and others.

Small though the Pamphlet is, it is highly illuminating and thought-provoking and deserves careful study, especially by our policy-makers, professors of economics, business men and, above all, students of economics engaged in research work.

THE NEW COMPANY LAW

Company Administration under the New Company Law: By Tanubhai D. Desai and Indulal H. Shah. Publishers N. M. Tripathi (Private) Ltd., Bombay 2: 1956: Pp. 155: Price Rs. 4-8.

Of all the recent enactments of Parliament, the Companies Act, 1956, is perhaps the most complicated piece of legislation. As the authors of the book, Messrs. Tanubhai Desai and Indulal Shah, are one a well-known solicitor and another a noted chartered accountant, both are quite competent to express an opinion on the measure, and have, therefore, good reason to say, "it has spread its tentacles so wide that it requires a perusal of 658 sections and 12 schedules running into a saga of 300 pages of bare text, full of legal 'jargon', before a rigorous system of checks, restrictions, sanctions and inspections and penalties, which can be termed as a sort of an iron strait-jacket in which the 'sick' joint-stock enterprise has been put to make it 'healthy' once again is revealed". This is no exaggeration for the Act has vested enormous powers in the hands of the Central Government and

has imposed onerous duties on those who have been entrusted with the task of administering it. The need for a proper guide for the understanding and the administration alike of such a complicated legislation does not require any special emphasis. The book under review provides just such a guide. It aims at helping the directors and office-bearers of companies in discharging the responsibilities imposed on them by the New Company Law. Because the authors have just this limited objective and because they have scrupulously restricted their task to fulfilling it, they have, it must be said, eminently succeeded.

In the first chapter, the authors explain the various changes which companies have to effect so as to conform to the provisions of the New Company Law. The second chapter is devoted to a discussion of the rights, duties and liabilities of the directors, while the third concerns itself with the rights, duties and liabilities of the Managing Agents, the specially singled out target of the framers of the Company Law, as everyone knows. An account of the procedure regarding meetings is given in the next chapter and the last two chapters deal with information regarding the preparation of balance sheets, the maintenance of various registers, the documents periodically to be filed with the Registrar of Companies, etc.

The usefulness of the book is enhanced by the inclusion of a number of appendices to incorporate a few selected statutory forms, forms of important registers to be maintained by a company, and so on. However, the reader must expect to find in the publication no more than a guide, although the title may not suggest any such restricted scope; certainly it is not a treatise on the New Company Law, and to approach the book with that hope is to count disappointment. Nevertheless, the book should be a useful addition to the slender libraries of most of our business men or their secretaries.

ILO OVER TIME

India and the ILO: By N. N. Kaul: Metropolitan Book Co. (Private) Ltd., Delhi: Pp. 128: Price Rs. 5.

India has set before it the goal of social justice. It is, therefore, of more than ordinary interest to trace the history of her relations with the International Labour Organisation which stands for social justice throughout the world. In this book the author, who is one of the earliest Indian officials on the staff of the ILO, has presented in a concise yet comprehensive manner useful information regarding the relationship of the Organisation and India over the last 35 years. From the inception of the ILO, India has been its member and has taken conspicuous interest in its activities which is reflected in the influence exerted over almost every aspect of labour legislation in this country during the last generation. The book, however, does not contain an up-to-date, detailed account of such legislation from 1919 onwards and the reader is referred to ILO publications. Only some important labour laws have been tabulated in an index; one would have wished to have more details of their results.

Nevertheless, the author has told the story of the developments preceding the formation of the ILO to enable its activities to be seen in historical perspective. The ILO emerges from the book as an organisation that has a full understanding of the special needs of under-developed countries and the difficulties they encounter in keeping pace with progress in more advanced countries. Here it must be said that the activities of the Asian Regional Conferences, which are particularly interested in the problems of this region, have received

less than adequate attention. All the same, students of labour problems should find this book of considerable interest.

SURVEY OF INDIA

The Financial Times Survey of India: Available from the Central News Agency, Connaught Circus, New Delhi: Price Rs. 1-8.

"The Financial Times" of London has just (August 13, 1956) brought out a comprehensive survey of India in its well-known series of "Country" surveys. Contributors to the survey include leading experts and specialists—both official and non-official in the country. Broadly speaking, the survey presents a favourable view of the dynamic factors in the Indian economy. In his foreword to the survey, Mr. V. T. Krishnamachari expresses the considered view that the second Five-Year Plan, with its greater emphasis on industrial development, will widen the scope for economic collaboration between the U.K. and India. The Deputy Chairman of the Planning Commission has also dealt with the objectives and problems of the second Plan. Among other contributors to the survey are Mr. H. V. R. Iengar, Mr. C. H. Babha, Mr. G. L. Nanda and Mr. Geoffrey Tyson, former editor of "Capital". Fiscal policy, Foreign Trade relations, Dynamics of Industrial Growth, Outlook for Commercial Banking, Role of Foreign Investment, Foreign Companies in India, Irrigation and Power Projects, The New Situation in the Insurance Industry and Labour Relations in Industry are among the many aspects covered by the survey, which thus provides a rich and varied fare for experts and laymen alike.

THE INDIAN MARKETS

Annual Market Review, 1956: Premchand Roychand and Sons, Bombay.

Although usually the last of such periodical reviews to appear every year, this Review is still awaited with considerable interest, for it is a thoroughly dependable, objective stock-taking of the events of the past year. As usual, a fund of statistical data useful for purposes of reference is packed into the publication. Also included are complete records of all money and bullion markets of the year under review. But the Review is not content to be merely a chronicle of past events; it also gives the reader a helpful glimpse into the future in the chapter on the outlook for the current year. In the opinion of the Reviewers, "the economic outlook for 1956 and onward will be largely influenced by the manner in which the second Five-Year Plan is implemented." In particular, they sound this pertinent warning that "we shall have to see that, by a second upsurge of inflation in the economy, we do not lose our competitive position in the overseas markets". Another reason why, according to the Review, there is need to hold the inflationary pressure in check by every means possible is that it is necessary to ensure that price levels are held as near as possible to the price indices on which the Plan is based," so that the fulfilment of the Plan targets is ensured and the balance of payments position is safeguarded."

The Review lays much store on foreign aid to ensure the successful implementation of the second Plan, but it is apparently not satisfied with either the extent or the nature of foreign participation so far, and "so long as this attitude continues", it concludes, "there seems to be little hope of large-scale foreign investment in India and the implementation of the Plan will, therefore, be dependent mainly on our own resources, however limited they may be".

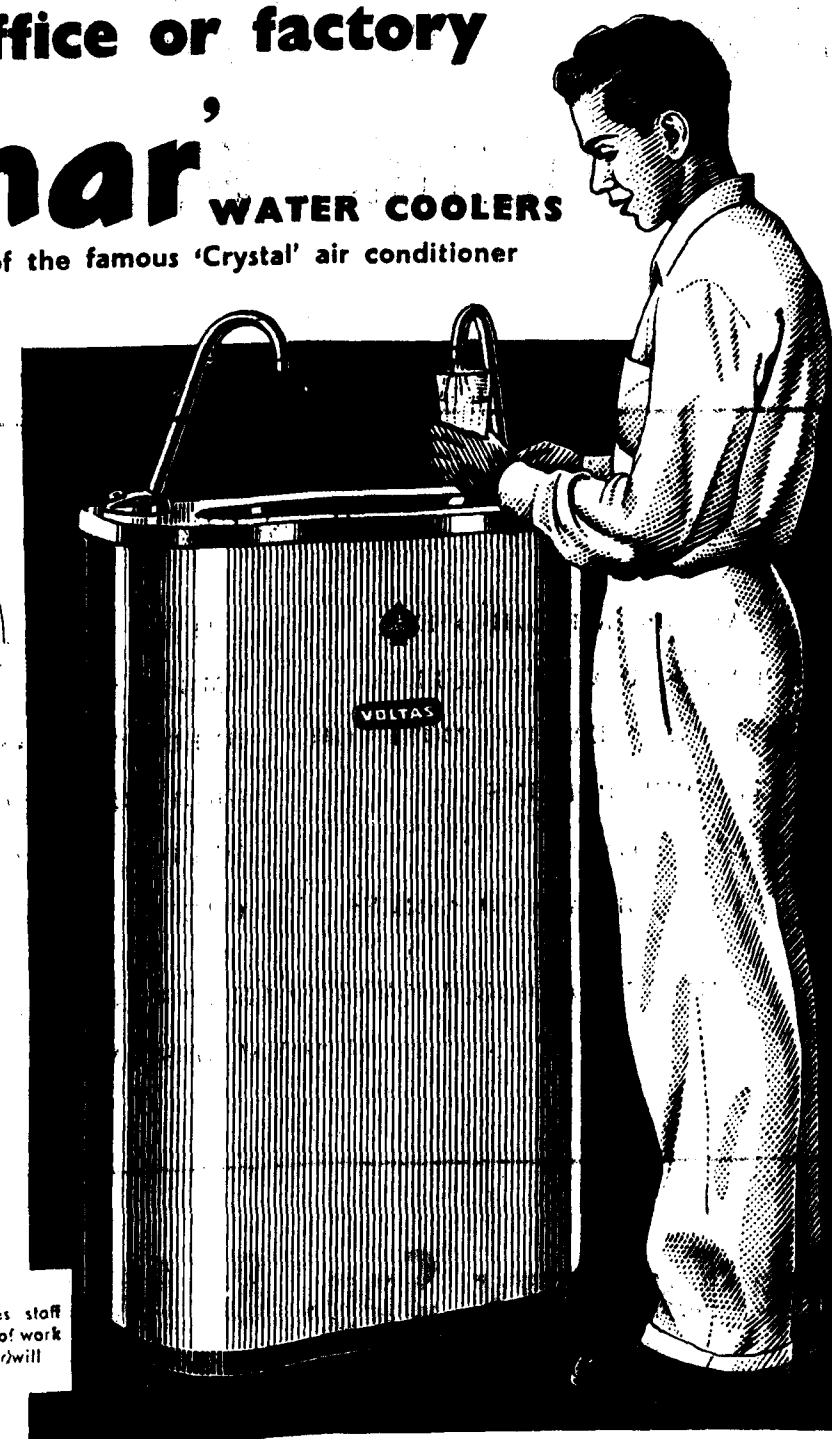
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BUSINESS NOTES

EXPORT CREDIT GUARANTEE

THE SEARCH for effective instruments for the promotion of this country's export trade is now invested with unusual significance in view of the critical nature of the foreign exchange position in the second Plan. Every single instrument which has proved its feasibility must receive very careful attention in this country. The Export Credit Guarantee Committee which has tendered an elaborate report to the Government has taken considerable pains to investigate a highly technical problem not free from intricate issues. But the contents of the report and the nature of the subject require that Government should scrutinise the Committee's recommendations with care before decisions are made on them. Some more time for this purpose will be well-spent and, if necessary, the export trade should again be taken into confidence for consultation. It is with its unqualified co-operation that the scheme of credit guarantee can be made to work efficiently and successfully.

The Government's strong preference for acceptance of the principle of export credit guarantee and, as far as is practicable, for setting up a machinery for its implementation is not in doubt. The Gorwala Committee's findings against the system of credit guarantee were turned down by the Government and now a studied report has been procured. The Export Credit Guarantee Committee is of the unanimous view that a State-owned Export Risk Insurance Corporation should be set up with authorised capital of Rs. 5 crores and paid-up capital of Rs. 50 lakhs. The Corporation is to function in close association with an Advisory Council representing all the interests concerned. The major features of the guarantee scheme as suggested by the Committee need brief reference. It has gone into an elaborate examination of the question and has recommended in detail the types of risks which should be underwritten, the form and character of the cover to be granted and the terms on which it is to be granted. Experience of countries which have successfully worked the guarantee system confirms the soundness of the Committee's suggestion that part of the risk ought to be borne by policy-holders. The existing apparatus set up under official auspices abroad for taking care of this country's external trade is a reminder that some sort of special agency will be needed to make realistic appraisal of the solvency and commercial status of importers. There has been divergence on a fundamental issue in the Committee's report whether the guarantee scheme should be compulsory for all exporters or it should be worked on the principle of voluntary participation. Compulsory application of the scheme will reduce the incidence of risk and reduce costs, but it has weighty drawbacks to be set against these gains. The majority view which favours the voluntary principle promises efficient working and sustained growth of the guarantee system.

BICYCLE INDUSTRY AND IMPORTS

THE BICYCLE industry in India has been following consistently a policy of progressive expansion of output. The present assumption is that, if the programme of manufacture goes through according to schedule, the indigenous industry will produce a surplus for export after the second Plan is over. Against this background it is paradoxical to learn that the major headache of the industry is not yet terminated. This headache is caused by the impact of imports either of complete cycles or of components and parts. It is needless to elaborate the point that expenditure of foreign currency must be eliminated where indigenous production capacity can be exploited to substitute imported goods. Unhappily,

both the import policy and the policy of licensing of new units, at present followed by the Government of India, do not take full note of this supreme need to keep imports to the minimum.

It needs to be recalled that the Indian bicycle industry has achieved success in bringing about progressive reduction in prices. Even so, the need for protection against competition of imported bicycles cannot be considered to have ceased. How keen competition still continues to be and how harmful its effects can be has been demonstrated by the recent painful experience of the impact of low-priced Japanese bicycles on the Indian market. The case of the Indian industry is not something of an exception. It is pertinent to point out here that even the US industry requires and demands protection against the bicycle industry of the UK.

The licensing policy in regard to the establishment of new bicycle units virtually opens up opportunity for imports by the back door. Out of the 250 parts and components required for a bicycle, the bulk is now manufactured in this country. Even so, the necessity of importing some parts has been abused and an unwarranted high proportion of parts is purchased from abroad by some of the units in the industry. It is astonishing that the ratio of imported components used in Indian-made bicycles in certain units runs as high as 75 per cent. It raises a serious question whether this kind of production should be considered as genuine manufacture or virtual assembly. The answer is clear enough. Mr. L. N. Birla, delivering his presidential address last Monday at the annual meeting of the Cycle Manufacturers Association, made quite a reasonable demand which cannot be resisted. He urged that licences for new units should be granted by the Government on the express condition that they would undertake the manufacture of parts and complete bicycles within a specified time. The policy adopted in the case of the automobile industry provides a healthy precedent.

INFLATION AND MARKETS

WHILE REPLYING to questions in the Lok Sabha the other day, the Union Minister for Revenue and Defence Expenditure declared that the price increase was attributable to development expenditure. He tried to reinforce his argument by adding that the recent rise in prices was mainly confined to agricultural commodities and that they were actually in the nature of a corrective to the decline in prices noticed earlier in 1954-55, when the prevailing prices were considered as uneconomical even for agricultural producers. Obviously the Minister was speaking about the longer trends. In the immediate context the situation is different.

With practically no exception, all the markets — stocks, bullion, and commodities — throughout the country have been witnessing boom or near-boom conditions, especially since the Suez crisis. Obviously, operators in general could not remain in splendid isolation and be uninfluenced by the sedulous war-like preparations of certain Western powers. The series of developments that took place consequent on the nationalisation of the Suez canal only served to kindle the Bullish embers that had already been provided by the Government's decision in favour of bigger bilingual Bombay. On top of these came Mr. Nehru's attempt to read a sinister meaning into the characteristics of the month of August on the basis of historical perspective, which had the effect of turning even the marginal and

hesitant operators into confirmed bulls. In the event, sustained bullish enthusiasm became the feature not only of the stock exchange in Bombay but of other stock markets as well in the country, as also of the other commodity markets.

The trend in the cotton futures market in Bombay in particular requires special appraisal, when one recalls the price that the market had to pay for being too much enthusiastic, according to the authorities. It is all well for the market to be, in turn, "cheerful", "enthusiastic", "firm", "bullish" or "buoyant". But it is anybody's guess as to when the authorities would choose to describe a particular phase as "speculative" and plunge to take action in the alleged interests of the farmer, the operator and the trader, if not the common man. When prices in the cotton futures market were taken up to what the Government considered as unreasonable levels last December, the result was suspension of cotton futures trading. And it is only two months since futures trading under the new set-up has been resumed. (Actually it was resumed on June 18, 1956). The price of the Jarilla contract, for the first time since its commencement, has crossed the Rs. 700-level. It was when prices went beyond this level, it will be recalled, that the authorities had to intervene and declare the contract closed out at Rs. 700. There are already whispers going round the market that, as the futures price has gone five points beyond the approved official ceiling—there are instances of some styles at least of spot cotton being unofficially quoted even higher—the authorities have been contemplating some 'action'. There seems to be a deliberate attempt in certain quarters to exploit the present position. These quarters point out that, in the present instance, the crossing of the Rs. 700-level is with reference to a cotton which is slightly inferior in quality on the basis of the new staple length specifications vis-a-vis the one that prevailed prior to the cotton crisis of December last. But those who argue thus seem to forget that the degree of inflation prevailing today is very much more than last year, wherefore, in fact, a far higher price than Rs. 700 would be needed to approximate the danger level, even according to the authorities. Moreover, it is difficult to see what particular sanctity attaches for all time to this Rs. 700 level, so that the Government is urged to take action no sooner than this level is crossed. Nor is any Government intervention logical at this stage, when the Government has been doing everything—not merely pumping money into circulation—to take prices up. Thus, when it is established that there is acute scarcity of quality cotton in the country, one fails to understand the logic behind the Government's eagerness to boost up exports of cotton, nor that behind its action, at the same time, of dislocating the even flow of cotton imports by adopting a fickle-minded policy, as witness the sudden banning of sterling area cotton, first, and the equally sudden lifting of the ban, later on. These 'steps' naturally proved to be sufficient incentives in themselves to fan the inflationary flame. It is, therefore, idle to blame the market for a given state of affairs, if the authorities themselves fail to watch the situation carefully enough.

ROLE OF TRADE UNIONS

IT IS deplorable that, though trade unionism is sufficiently old in this country, it has not realised its obligations in full to the working classes themselves, on the one hand, and to the nation as a whole, on the other. Trade unions are meant to work for the improving of the working conditions of their members, to foster goodwill and co-operation between employers and employees, and, in an underdeveloped country such as ours, also to shoulder their share of the responsibility

for economic development of the country. What trade unions ought not to do is perhaps just as important as what they ought to do. For instance, they ought not to indulge in political disputes. They should endeavour to discriminate between genuine trade disputes and covert political agitations that often pass for trade disputes, taking care severely to eschew the latter.

It may interest our trade union leaders to know the constructive work of trade union leaders in other countries. Trade unionists in Britain, for example, are known to take a positive attitude to the promotion of industrial productivity. The influence of such unions there has naturally been quite pervasive. In order to increase productivity, the trade unions themselves provide vocational training for young workers, train unionists in management techniques, and, on many occasions, even help to introduce new techniques to increase the efficiency of the workers. Surely no worker in Britain has seriously suggested that trade union leaders in the U.K. who are doing their utmost to promote productivity in that country thus are hurting the interests of workers by this sort of work. Unfortunately for us in this country, even some of the top-ranking labour leaders do not seem to appreciate this and have still to outgrow the old and worn out way of resorting to strikes for anything and everything, irrespective of its relation to their own work. It is high time that labour leadership in India realised all these and remembered that trade unions are meant not only to fight for higher wages, but to increase the low efficiency of our labour force as well.

BRITISH EUROPEAN AIRWAYS' PEAK PERFORMANCE

THE YEAR ended March 31, 1956, was BEA's peak year not merely from the revenue view-point but from other angles too. In the previous year a net profit was earned and BEA can confidently look back to its performance which has made chronic recurrence of deficits a thing of the past. During 1955-56, the revenue was up by 26 per cent and net profit curved up to £603,614.

The spectacular improvement in financial working springs from factors which are noteworthy for the lesson they hold out to airlines operating in the international sphere from other countries also. In spite of an increase of 14 per cent in the wage-bill, the unit cost of production was reduced by 2.9 per cent. The secret of BEA's financial success, however, is to be found in the impressive improvement in productivity which went up by 20.2 per cent to 13,028 capacity ton-miles per employee. The Vicount airliner is responsible, more than any other factor, for this striking improvement. Lord Douglas, BEA's Chairman, has also paid a tribute to the good work done by the employees who concentrated on continuous development of improved techniques and equipment.

Some of the statistical indicators bear publicity. The rate per passenger-mile on domestic routes which was held below that for the overseas routes, works out approximately to 4½d. per mile. It is highly instructive that at this rate domestic air travel in Britain is cheaper than a taxi drive in London. For the first time BEA carried more than 2 million passengers in a single year. Its share of traffic between Britain and the Continent increased to 56 per cent in the face of keen competition from no less than 17 rival airlines. If faces the future with optimism, derived in not a small degree from the superior advantage it enjoys in its speedy and economical aircraft, which will be beyond the reach of its European competitors in the near future.

COMPANY AFFAIRS

ORISSA CEMENT LTD.

Notwithstanding a decline in sales of cement of the Company during the year ended December, 1955 to Rs. 1.29 crores from Rs. 1.37 crores of 1954, the profit has registered an increase of Rs. 10 lakhs from Rs. 35 lakhs in 1954 to over Rs. 45.25 lakhs for the year under review. The production has been well maintained. Out of the profits, the Directors have proposed to set aside a sum of Rs. 15.50 lakhs for income-tax liabilities and the remaining amount of Rs. 29.75 lakhs has been recommended to be disposed of by giving a 4½ per cent dividend on 40,000 cumulative preference shares and a 12½ per cent dividend on 6,78,650 fully paid ordinary shares which absorb Rs. 1.80 lakhs and Rs. 8.48 lakhs respectively. That leaves a balance of Rs. 10.28 lakhs which together with the previous balance of Rs. 19.47 lakhs totals Rs. 29.75 lakhs.

Out of the last year's profits, Rs. 7.49 lakhs was utilised in payments of arrears of dividend up to the end of 1954 and Rs. 5.10 lakhs was set aside for payment of dividend to ordinary shareholders. Out of the Rs. 5.10 lakhs, the Directors declared a dividend of As. 12 per ordinary share which absorbed a sum of Rs. 5.09 lakhs. The balance accumulated losses of Rs. 13.44 lakhs is proposed by the Directors completely to be written off against the net surplus of Rs. 19.47 lakhs of 1955 and the balance of Rs. 6.03 lakhs is proposed to be carried over.

To finance its schemes of expansion, the Company is taking a secured loan of Rs. 1 crore from the Industrial Finance Corporation of India and has decided to offer for subscription the balance issued and unsubscribed ordinary share capital, thus increasing the ordinary subscribed and paid-up capital to Rs. 1 crore to be offered in the first instance to the shareholders of the Company. Among the schemes of expansion is one to put up a modern refractory plant in collaboration with some German experts with a capacity of 80,000 tons. The Company is also sponsoring together with Dalmia Cement to establish a cast iron and steel foundry in Calcutta to manufacture special heat resisting and wear resisting parts of cement machinery.

MUKAND IRON AND STEEL WORKS LTD.

The accounts of the Company for the year ended March, 1956, show a gross profit of Rs. 16.09 lakhs and there is a carry-over of Rs. 24,642. Out of this sum the Directors have made the following appropriations: Depreciation fund Rs. 5.55 lakhs; Rehabilitation and development reserve Rs. 5 lakhs; Dividend equalisation fund Rs. 2.50 lakhs; Loss of Lahore assets written off Rs. 1.98 lakhs; and Recommended dividend on preference shares at 5 per cent per annum, subject to tax for the years 1949-50 and 1950-51, Rs. 1 lakh. The balance is to be carried forward. The amount of Rs. 2.50 lakhs that has been transferred to a Separate Dividend Equalisation Fund is intended to be utilised for payment of arrears of dividend on preference shares for the years 1951-52 to 1955-56. But for the payment of such dividend for more than two years, the Company is obliged to seek permission from the Industrial Finance Corporation from which it has borrowed Rs. 22 lakhs on certain terms. The Directors are trying to obtain the permission.

The bold policy of the Company in regard to development of its Bombay works has resulted in restoring it to an optimistic position after having suffered a severe blow in the loss of its Lahore factory. In its two main activities of steel re-rolling and steel casting, the Company has felt a shortage of billets. However, with a large-scale import programme of steel during the next few years, a good supply of billets for rolling may be expected. In the steel castings section there has been a large increase in demand for building

wagon capacity. The production of the Company of steel castings has touched its target and it is now considering further expansion for which technical co-operation of foreign firms is being enlisted.

THE CONCORD OF INDIA INSURANCE CO., LTD.

After making a provision of Rs. 2.20 lakhs for taxation, the accounts of the Company for the year ended December, 1955, show a credit balance of Rs. 2.81 lakhs. Adding to this Rs. 1.21 lakhs brought forward from 1954 accounts, the amount available is Rs. 4.02 lakhs. The Directors have recommended a dividend of Re. 1 per share for the year, income-tax free, which absorbs Rs. 2.70 lakhs, leaving a balance of Rs. 1.32 lakhs to be carried forward.

In the Fire Revenue account, net premiums, after all reinsurances, amounted to Rs. 31.24 lakhs, while claims paid and outstanding amounted to Rs. 10.77 lakhs, representing a loss ratio of 34.46 per cent. The Fire Insurance Fund now stands at Rs. 15.62 lakhs. The net premiums in the Accident Revenue Account amounted to Rs. 10.69 lakhs and claims to Rs. 5.07 lakhs, showing a loss ratio of 53 per cent. The Accident Fund stands at Rs. 5.35 lakhs after transferring Rs. 94,410 to the Profit and Loss account. The Marine Revenue account shows a deficit of Rs. 1.16 lakhs which is due partly to an increase in premium with the consequent increase in unexpired risks provision which the Company maintains at 100 per cent of net premiums, and partly to the higher incidence of claims. This Fund stands at Rs. 11.23 lakhs after transferring the loss of Rs. 1.16 lakhs to the Profit and Loss account.

After obtaining the consent of the Controller of Capital Issues, the Company has capitalised Rs. 6.75 lakhs out of the amount standing to the credit of the Premium on Issue of shares account. It has applied the sum at Rs. 2-8 per share towards the full payment of the first call of Rs. 2-8 per share on the issued capital of 2.70 lakh shares, thus making each share of Rs. 5 paid-up.



(Incorporated in India)

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General Manager : Mr. C. P. Doraiswami

COMMODITY NEWS AND NOTES

U.K. STEEL OUTPUT

Steel production in Britain last month was at the rate of 326,000 tons a week, compared with 307,000 tons a week in the corresponding period of 1955—a record for the month. Announcing this, the British Iron and Steel Board says that total production of steel for the first 30 weeks of this year was 11,900,000 tons, compared with 11,300,000 tons for the same period of 1955—an increase of 5.3 per cent. Production in July was at an annual rate of 16,900,000 tons, but in May it was running at the rate of 20,600,000 tons per annum. It seems likely that a considerable increase over the 1955 output will be recorded in the current quarter — and also that the annual target of 21,000,000 tons of crude steel will be brought well within reach.

AUSTRALIA'S WOOL PRODUCTION

Wool production in Australia in the 1955-56 season was 9 per cent higher than in 1954-55. Figures from the 'Commonwealth Statistics' showed that wool production in the past year was 1,398.6 million lbs. This included 1,288.6 million lbs. of shorn wool, which was 114.7 million lbs. higher than in the previous year. At the end of March this year the number of sheep and lambs in Australia had reached a record level of 136.1 million, which was 5.3 million higher than a year earlier.

SUGAR PRODUCTION

The production of indigenous sugar and despatches of it from sugar factories in the country amounted to 18.53 and 12.68 lakh tons up to July 31, 1956, in the current season as against 15.83 and 8.33 lakh tons respectively in the corresponding period of the last year. The stock with the factories on July 31, 1956, stood at 9.93 lakh tons as compared with 7.88 lakh tons last year.

MALAYA'S TIN OUTPUT

It is reported there would be no restriction on production of tin in the Federation of Malaya in 1957 under the International Tin Agreement. This was due to the fact that the buffer stock would be able to absorb most of the surplus produced next year. Rubber imports into Malaya in July recorded a high level and were the best for a year. The total for the month was 38,571 tons or 63.4 per cent more in June. Imports for the first seven months of this year totalled 201,793 tons or 6.7 per cent more than in the corresponding period last year.

WORLD WOOL CONSUMPTION

According to Mr. J. S. Gale, President of the National Council of Wool Selling Brokers, there are two reassuring features of the wool situation that stocks in the hands of mill men are not large and consumption throughout the world is increasing. Consumption in 1955 was higher than the previous year, and this trend had continued during the first half of the present year. There had been a spectacular increase in Japan's consumption of wool, while the United States was becoming more conscious of the properties of wool, and consumption there had also increased.

WORLD RUBBER OUTPUT AND CONSUMPTION

World production and consumption of natural rubber both rose in June, according to preliminary figures published by the International Rubber Study Group. Production rose by 5,000 long tons to 145,000 tons and consumption by 2,500 tons to 155,000 tons. The Study Group's figures indicate that consumption in the first six months of 1956 amounted to 852,500 tons compared with a total production of 947,500 tons. Total Indonesian exports, after allowance has been made for non-reported exports are estimated at 46,331 tons in June, a decline of over 8,000 tons in comparison with the previous month. The figures includes 16,502 tons of estate origin.

CASHEW AND PEPPER EXPORT PROMOTION

The Cashew and Pepper Export Promotion Council, Cochin, has decided to enforce quality control, both for the export of cashew kernels and pepper and the import of raw chasew nuts. A scheme for introducing factual inspection certificates for all exports of cashew kernel and pepper is already under preparation by the Council. The scheme is designed to eliminate all bogus exporters from the trade as well as to keep the prestige of the Indian trade in foreign countries. The Export Promotion Council is of the view that the long-standing ills of the cashew industry can be solved only by growing more chasew trees on the Malabar Coast on a plantation basis.

CEMENT PRODUCTION

Cement production in India which declined from 430,500 tons in March, 1956, to 395,000 tons in April increased to 419,300 tons in May, according to official statistics. Total production in the first five months of the current year is estimated at 2 million tons compared with 1.8 million tons in the corresponding period of 1955. The output of cement in the whole of 1955 was 4.416 million tons against 4.398 million tons in 1954.

LAHA AND MUSTARD OUTPUT

The production of laha and mustard in Assam has greatly increased this year despite a fall in the area under the crop. According to the final forecast for the year 1955-56, the total estimated output is 50,848 tons against last year's actual production of 44,407 tons. The acreage per acre yield of the crop in the State is 407 lbs. The total area under the crop this year is estimated at 280,000 acres compared with last year's actual area of 283,570 acres.

SUGAR CONSUMPTION

The per capita consumption of sugar in Delhi during the first eight months of 1955-56 season was 62.6 lbs, the highest among all the States. The per capita consumption of sugar in other States during the same period was Assam: 4.7 lbs; West Bengal: 12.1 lbs; Bihar: 4.1 lbs; U.P.: 5.3 lbs; Punjab: 13.5 lbs; Rajasthan: 5.9 lbs; Madhya Bharat: 7.9 lbs; Madhya Pradesh: 6.0 lbs; Orissa: 2.0 lbs; Saurashtra: 21.8 lbs; Bombay: 15.5 lbs; Hyderabad: 3.7 lbs; Mysore: 5.8 lbs; Andhra: 3.6 lbs; Madras: 5.4 lbs; Travancore-Cochin: 4.3 lbs.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

Wholesale Prices (General Purposes Index)† Year Ended August 1939=100							Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matsls.	Semi-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
January 1956	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July	380.2	492.2	395.2	385.5	560.3	409.2	91.2	100.5	85.3	125.2
Week Ending										
16-6-1956	372.7*	480.6*	396.8	377.9	513.1	401.1*	91.3	100.5	85.2	125.2
23-6-1956	374.6*	480.6	395.6*	377.9	522.5*	401.7*	91.3	100.5	85.3	125.5
30-6-1956	374.0	481.8*	395.5	377.0	545.4	402.2*	91.2	100.5	85.3	124.8
7-7-1956	374.9*	490.9	395.1	385.1	560.8	407.7*	91.2	100.5	85.5	124.7
14-7-1956	377.3*	487.8	393.4	385.4	557.7	408.8*	91.2	100.5	85.5	124.7
21-7-1956	382.3*	493.2*	394.9	386.0	560.8	409.9*	91.1	100.4	85.2	125.7
28-7-1956	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.7
4-8-1956	392.5	493.2	400.4	385.7	563.7	414.2	91.0	100.3	85.2	126.3

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmeda- bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
January	318	334	226	139	319	404	378	146	334	147	138	133
February	321	337	224	137	315	394	385	142	333	146	132	133
March	334	350	230	139	325	398	387	145	340	148	142	138
1956 April	342	358	239	140	338	409	397	—	354	—	—	142
May	341	357	236	141	342	408	397	—	356	—	—	143
June	342	358	240	141	350	419	—	—	365	—	—	—
July	—	—	—	—	—	—	—	—	369	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	17-8-1956			10-8-1956			3-8-1956			28-7-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola	105- 5	103-10	104- 7	104- 0	103- 0	103- 9	104- 7	102- 3	103- 9	102-12	101-11	102- 4
Silver (per 100 fine tolas)	173-10	171-14	172-10	173-10	170-10	171-15	172- 4	170- 5	171- 4	172-10	171- 0	171-12

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupree Coin	Rupree Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	584.40	624.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	82.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	689.31	56.47	102.25	428.61	1,219.17
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.88	553.20	1,356.47
Average of Fridays										
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	574.69	1,400.73
February	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	603.24	1,411.56
March	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
April	1,509.33	15.96	1,525.29	40.02	682.69	722.71	47.38	106.38	606.21	1,525.29
May	1,516.70	13.36	1,530.06	40.02	681.45	721.47	47.16	104.89	703.91	1,530.06
June	1,496.50	22.82	1,519.32	40.02	662.53	702.55	46.26	105.59	710.68	1,519.32
July	1,465.35	21.91	1,487.26	40.02	624.16	664.18	44.51	109.49	718.59	1,487.26
Week Ending										
13-7-1956	1,474.60	29.37	1,503.96	40.02	626.68	666.70	44.33	108.71	728.56	1,503.96
20-7-1956	1,460.01	25.20	1,485.21	40.02	616.68	656.70	44.22	109.96	718.56	1,485.21
27-7-1956	1,444.28	32.99	1,477.27	40.02	616.68	656.70	44.45	111.96	708.62	1,477.27
3-8-1956	1,447.15	30.29	1,477.43	40.02	616.68	656.70	44.45	112.12	708.62	1,477.43
10-8-1956	1,451.78	25.95	1,477.73	40.02	616.68	656.70	44.44	112.42	708.62	1,477.43

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.80	...	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.96	47.24	2.62	406.95	1.57	21	81.53	4.85
1948-49*	222.17	6.62	80.53	15.33	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.78	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.55	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
Average of Fridays														
January 1956	53.56	12.51	59.90	17.49	142.53	41.28	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February	61.12	13.65	56.38	15.85	147.00	49.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March	57.51	37.22	49.25	16.93	159.51	48.99	220.30	11.26	9.53	65.31	1.60	73.88	39.44	17.35
April	56.21	30.15	52.14	17.16	155.66	46.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
May	61.44	10.27	50.36	13.04	135.11	53.24	198.35	13.48	9.79	35.69	2.36	81.42	37.02	18.61
June	58.43	8.33	51.92	12.97	129.65	57.81	197.46	22.42	8.94	31.58	3.94	73.96	37.75	18.69
July	66.46	8.06	52.39	12.23	139.15	57.81	196.96	27.03	5.24	43.55	4.02	63.43	45.80	7.93
Week Ending														
6-7-1956	54.23	4.77	50.56	12.64	122.20	57.36	179.56	20.13	7.65	41.87	2.95	61.08	37.31	8.56
13-7-1956	52.03	6.94	52.65	12.19	123.81	57.76	181.57	29.50	5.86	41.63	3.32	55.49	37.31	8.46
20-7-1956	83.42	13.69	53.01	11.89	162.01	58.11	220.12	25.34	3.98	47.96	4.64	71.63	59.19	7.40
27-7-1956	76.16	6.84	53.35	12.22	148.58	58.02	206.60	33.15	3.46	42.75	5.16	65.54	49.39	7.31
3-8-1956	61.05	8.86	47.90	12.22	127.02	58.66	185.68	30.38	2.41	36.79	5.04	55.37	49.41	6.27
10-8-1956	54.04	9.38	51.04	11.88	126.35	59.32	185.67	26.04	98	32.02	7.08	63.85	49.41	6.28

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

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49*	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	62.08	339.74
1955-56	608.64	407.93	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.70
Average of Fridays										
February 1956	631.25	415.19	1,046.45	35.18	54.67	8.59	551.12	138.15†	66.56	364.86
March	622.44	415.29	1,037.72	34.83	48.43	8.10	589.55	144.16†	71.41	356.65
April	649.02	423.19	1,072.31	37.74	50.99	8.34	604.85	150.65†	71.04	393.43
May	638.35	432.68	1,071.01	37.76	48.68	8.15	614.22	153.14†	71.82	354.97
June	636.61	446.93	1,083.54	37.96	49.77	8.18	612.04	151.64†	71.20	348.65
July	639.21	454.34	1,093.70	37.76	49.95	8.11	603.33	143.82†	69.16	349.38
Week Ending										
13-7-1956	644.30	450.43	1,094.73	37.26	50.01	8.05	604.67	143.29†	68.98	345.98
20-7-1956	633.51	454.87	1,075.83	38.41	49.38	8.16	601.02	143.68†	69.22	351.23
27-7-1956	639.68	456.97	1,081.43	37.91	50.38	8.16	597.64	142.68†	68.46	353.39
3-8-1956	636.08	458.08	1,077.47	36.01	49.56	7.94	596.47	142.61†	68.59	361.35
10-8-1956	637.86	459.67	1,079.60	35.52	49.25	7.85	595.17	143.99†	68.47	361.48

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.85
1955-56	2,184.32	1,505.09*	679.23	667.22	12.01	+263.69
June 1955	1,988.42	1,343.74	644.67	623.43	10.03	+1.87
July	1,974.91	1,324.80	650.11	619.53	10.39	-22.48
August	1,995.61	1,314.74	680.88	632.86	11.60	+4.47
September	1,965.40	1,309.69	654.71	632.36	11.70	-5.43
October	2,008.47	1,331.40	677.08	635.72	11.12	+24.48
November	2,014.88	1,351.24	663.64	640.40	10.81	+24.22
December	2,047.15	1,385.87	661.28	650.14	11.14	+44.69
January 1956	2,094.21	1,407.67	686.55	674.12	12.43	+47

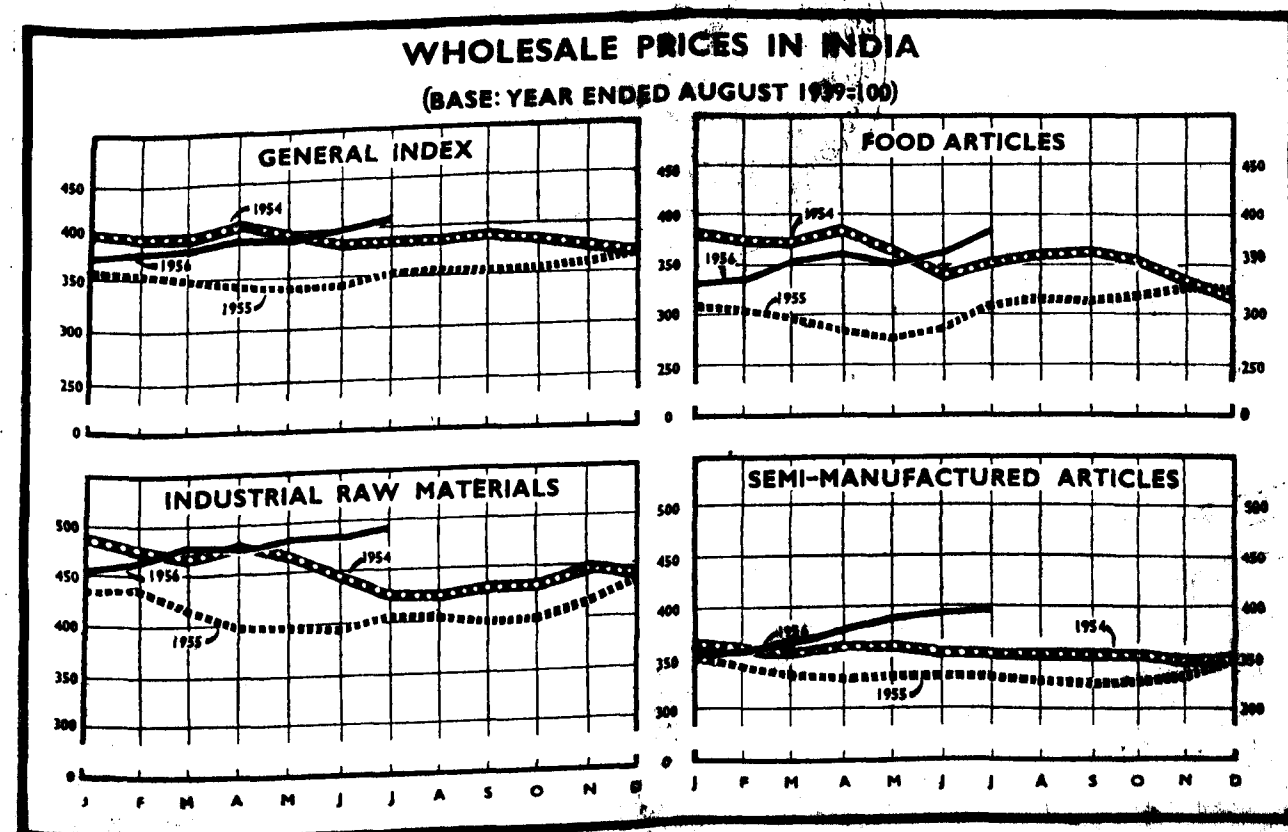
USE OF TRACTORS AND FERTILIZERS IN SELECTED COUNTRIES

	Consumption per 1000 ha of Arable land (metric tons) 1954-55			Tractors in Use	
	N	P2O5	K2O	1954 (‘000)	1955 (‘000)
Europe	17.0	20.7	20.1	1,710	1,960
Austria	16.7	25.9	30.2	38.2	46.0
Denmark	28.2	32.2	52.8	52.3	58.8
France	16.4	31.4	24.9	249.9	300.0
Germany, West	51.7	53.4	97.6	370.7	447.2
Italy	15.1	26.4	2.5	124.9	147.4
Poland	..	..	..	51.0	56.0
Sweden	22.7	30.4	22.9	105.4	115.4
U.K.	33.7	47.0	34.6	415.0	434.0
Yugoslavia	2.3	2.1	2.4	8.5	9.6
America, N. & S.	7.7	8.6	6.8	4,885	5,000
U.S.A.	9.2	10.7	8.2	4,344.9	4,450.0
America, South	1.6	1.7	0.7	145.0	152.0
Argentina	..	..	..	45.0	50.0
Brazil	0.72	0.62	1.2	40.6	45.0
Asia	3.37	1.47	1.67	65.0	70.0
China*	..	..	..	2.0	2.3
India	0.8	0.1	0.1	8.4	..
Japan	99.3	47.5	72.6	0.5	1.1
Pakistan	..	..	..	2.5	3.0
Philippines	5.9	4.2	1.4	5.0	5.4
Turkey	0.3	0.6	0.5	37.7	37.8
Africa	0.7	0.9	0.2	145	152
Egypt	45.7	6.1	0.2	8.9	..
Union of S. Africa	1.5	12.6	1.4	74.6	..
Oceania	1.9	25.2	2.3	250	270
Australia	1.0	20.1	0.8	187.2	205.0
New Zealand	9.4	422.1	46.9	62.0	65.0
WORLD TOTAL (excl. U.S.S.R.)	5.6	6.5	5.2	7,200	7,610

INDEX NUMBERS OF WHOLESALE PRICES

(Base: Year ended August 1939=100)

Group and Sub-Group	Weight	Week ending 31-7-1954	Week ending 30-7-1955	Week ending 28-7-1956	Percentage change of (5) over (4)	Percentage change of (5) over (3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I FOOD ARTICLES	(31)	357.6	313.3	386.5	+23.4	+8.1
Cereals	59	401	364	486	+33.5	+21.2
Pulses	8	289	278	383	+37.8	+32.5
Others	33	307	246	257	+4.5	-16.3
II INDUSTRIAL RAW MATERIALS	(18)	416.3	414.9	496.6	+19.7	+19.3
Fibres	53	395	427	475	+11.2	+20.3
Oilseeds	30	459	390	545	+39.7	+18.5
Minerals	10	408	425	534	+25.6	+30.9
Others	7	420	418	420	+0.5	Nil
III SEMI-MANUFACTURES	(17)	352.8	325.7	397.7	+22.1	+12.7
Leather	8	373	316	391	+23.7	+4.8
Mineral Oils	13	221	201	208	+3.5	-5.9
Vegetable Oils	16	442	390	553	+41.8	+25.1
Cotton Yarn	35	458	406	482	+18.7	+5.2
Metals	13	239	256	327	+27.7	+36.8
Oilcakes	5	409	339	448	+31.6	+30.9
Others	5	300	329	361	+9.7	+20.3
IV MANUFACTURES	(30)	375.1	371.8	386.0	+3.8	+2.9
TEXTILES	64	417	408	419	+2.7	+0.5
Jute	11	417	429	386	-10.0	-7.4
Cotton	45	418	402	430	+7.0	+2.6
Rayon & Silk	6	456	474	470	-0.8	+3.1
Woollen	2	310	282	266	-5.7	-14.2
Metal Products	17	340	352	388	+10.2	+14.1
Others	19	286	286	291	+1.7	+1.7
Miscellaneous	(4)	620.3	554.6	562.0	+1.3	-9.6
ALL COMMODITIES	(100)	380.3	357.3	412.3	+15.4	+8.4



ATUL

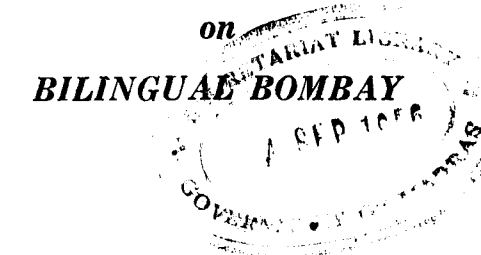
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Atul, on the B. & P. Western Railway

With a Supplement



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The Finance Minister and the Plan

THE announcement yesterday that Mr. T. T. Krishnamachari was to be the Finance Minister of India from September 1 has closed speculation on one large central element of India's second five-Year Plan. The Finance Minister of India is the hub round which the Plan must inevitably turn. Kautilya's observation that the beginning of all things is finance has taken on a new meaning with the appetites for high finance which India, with the rest of the modern world, has developed. The Finance Minister is the creature of these appetites which, like all appetites, grow by what they feed upon.

It was known that the Prime Minister could consistently with his other preoccupations,

hold charge of this key portfolio for any long period. It was known equally that a policy decision had been taken on the point that the Finance Minister was to enjoy strong party support. This narrowed the field down to a point when only three probable starters remained. There is no doubt that the choice of Mr. Krishnamachari is the most acceptable that could have been made within the specifications of this critical office. He comes to the post of Finance Minister with a record in the Ministries of Commerce and Industry and Steel which is without parallel in any Ministry of economic affairs since Indian Independence. There have been shortcomings but, by and large, it is a record of imaginative and forceful handling of economic events of a

kind which would deserve outstanding recognition in any country in the world. With his appointment now as the Finance Minister of India, Mr. T. T. Krishnamachari becomes very deservedly the main architect of India's economic policy.

It so happens that at this time in India's economic life the qualities of imaginative and forceful—even if sometimes hasty, pressure to get things done are urgently required in the office of the Finance Minister. T.T.K., as he is affectionately called, has always lived up to these requirements. Even before taking charge on September 1 he has announced a rise in the excise duty on cloth and export duty on manganese (after doubling quotas) designed to restrain the growing power of deficit financing to drive up the price level. These measures come on top of the conclusion of the spectacular Indo-American deal on food grains, cotton, tobacco and other commodities arranging imports estimated at Rs. 170 crores in the next three years. Within this week there has thus been done more to throw decision into the second Five-Year Plan than was done in the previous six months.

It would be unfair to deny credit to those who have been responsible patiently, and sometimes against adverse elements in foreign policy, to obtain this spacious agreement with the United States which can be decisive in the whole of Indian planning. In the period of the first Five-Year Plan there is no doubt that the American Wheat Loan was the determining factor in arresting the inflationary pressures of 1951 and ushering in the age of decontrol and the subsequent spectacular rise in agricultural and industrial production. But for decontrol it may well have been that neither production nor prices would have responded. It is right that one should recognise that what forged the instrument of decontrol was the possibility given by the 1951 Wheat Loan for India to hold buffer stocks of well over one million tons. This second agreement with the Commodity Credit Corporation of the United States is equally central to the second Five-Year Plan at a time when inflation looked again like raising its ugly head. This powerful agreement has operated almost at once to change the entire price situation. It is now possible, for example, to view with confidence the closure of the rupee gap. To the extent that investments fall short by more than Rs. 400 crores of the total planned figure, it may also make a substantial contribution to resources otherwise to be obtained by taxation. From whatever angle this is examined—particularly the possibility of a reduction of some foreign imports thus reducing our foreign exchange burden, the obtaining of large rupee resources by the sale of commodities and, to some extent, the elimination of penal taxation—there are elements which place the Finance Minister of India from September 1 in a far happier position than his predecessor.

It would be foolish to argue that, because T.T.K. has started under such good auspices, he has no major problems left. For one thing, the hard core of the problem of foreign exchange remains unaffected substantially by the new Indo-US agreement. By and large, the imports in the agreement are designed to strengthen domestic resources without significantly changing the foreign exchange account. It is true the international task of the Finance Minister has been aided by the fact that the rupee is now better able to look the dollar in the face, and any hints

that the internal prices would make the rupee less respectable abroad can now be discounted. On the other hand, it is clear that the tempo of development, even with the food front thus secured, cannot be hastened until the foreign exchange problem is more adequately resolved. It is sincerely to be hoped that the fine resourcefulness that the present Finance Minister showed in his previous charge will be used to provide a new bulwark in the area of foreign exchange. This is important enough to merit his leading a powerful delegation to the United States after election controversies have made the ground there more suitable to awakening interest in the fate of other countries.

So far as the excise duties on cloth and the export duty on manganese ore are concerned, which rightly have been placed at the door of the new Finance Minister, *The Eastern Economist* believes that these imposts are to be accepted as they are dictated by the imperatives of the second Five-Year Plan. There can be no reasonable doubt that taxation over the period of the Plan has to be substantially higher than at present. There is no doubt that the spectacle of rising share values, due significantly to rising profits, is one which is, both politically and socially, inappropriate at a time when the lower middle classes in particular are facing the growing pressure of high prices. The immediate effect of the excise duty on cloth will be both to reduce share values in the textile industry and to limit the range of textile profits. It will, however, undoubtedly lead to a rise in the price of cloth on any reasonable assumptions which can be made. These assumptions will be examined in a Special Article next week. For the present *The Eastern Economist* holds the view that while the textile taxation incorporated in the Bill introduced yesterday is excessive, the current rates now in operation are *prima facie* in the national interest.

One might say that the Finance Minister comes to office with a new armoury partly composed of tools of his own making—powers of quick and effective decision. In the last analysis, however, the choice available to a Finance Minister is governed by the Plan; in India's second Five-Year Plan these can even be precisely defined. There must be a new approach to the problem of foreign exchange. This implies a new willingness to accommodation on political shibboleths like the socialistic pattern of society in order to give the World Bank and other financial agencies some assurances on the treatment of foreign capital. Some greater recognition of the place of incentives in domestic production is also urgently needed. The Company Law is in desperate need of adjustments. All these cry out for action. There are limits on what the new Finance Minister of India might be able to do, even with the Congress Party's complete support, before the elections. The chance will only come after the elections are over to formulate a range of policies operative over the next four years which may well be the pace-makers of India's economic history. It is sincerely to be hoped that T.T.K.'s proclaimed desire to retire from the scene after the elections will be modified in view of the country's need for a continuous policy and his personal talents, which make his assignment to this office an issue of national importance. Of the new Finance Minister much is expected, not least that he should give India a spell of continuity in policy during the second Plan such as Sir Chintaman Deshmukh gave to the first.

Stevenson versus Eisenhower

IF an election manifesto alone could win the election for either of the two contending parties in the United States the marathon indictment of the Republican Administration contained in the Democratic platform may well avenge Adlai Stevenson's defeat in 1952. But if the election campaign should revolve more round personalities than round policies, President Eisenhower with his undiminished personal popularity may well be returned to the White House. Either possibility, however, would have to be clearly distinguished from a probability, the more so because such imponderables as the size of the poll and the last-minute swing of the marginal vote or the independents would continue to defy precise estimation even by Dr. Gallup or Dr. Roper.

Although politicians, when they come to be securely placed in the berth for a term of years may not, generally speaking, attach any very great sanctity to their own election manifesto, considerable numbers of the voting population do in fact take it seriously. The view of a great newspaper like *The New York Times* that "the pledges made in party platforms—both party platforms—have so frequently been broken or ignored that what is said (usually in too many words) in these quadrennial declarations is now viewed with more than a little scepticism" would have only to be taken as bordering on a kind of cynicism which is probably not shared by sizable sections of the electorate. Emotions and personality attractions alone cannot obviously sway whole masses of men in a mature democracy like the United States. Policies and programmes do count a great deal and rational arguments do weigh with some voting sections especially where they are presented in a sincere and forthright manner. What is more, the infinite capacity of politicians to make plausible pledges in spite of bad performances in the past and to get along even with the sceptics, is also a factor to be reckoned with. Considered from this point of view, neither the Democratic nor the Republican platform could be taken as wholly unattractive or unconvincing.

The Democratic platform, which *The New York Times* describes as "an average political document, much too long and not greatly gifted in qualities of inspiration" has its own telling in points both by way of criticism of the party in power and by way of positive promise in the light of past performance. The foreign policy plank in particular makes out a withering case against the Republican record in the international field. The Democratic charge is that "the Republican Administration has not offered a single concrete new idea to meet the new-style political and economic offensive of the Soviets, which represents potentially an even graver challenge than Stalin's use of force". Political capital is also made out of the fact that "President Eisenhower and his Secretary of State talk at cross-purposes, and his Secretary of State talk at cross-purposes, praising neutrality one day, condemning it the next." "Our friends abroad," continues the Democratic document, "now doubt our sincerity. They have seen the solid assurances of collective security under a Democratic Administration give place to the uncertainties of personal diplomacy". The Democratic domestic policy plank is even more forthright in its criticism of "the Republican brand of prosperity" which is alleged to have resulted in soaring monopoly profits, lagging wages, farm income collapses and small business

failures at an alarming rate. Here the hard money policy of the Republican Administration comes in for the severest of condemnation. This policy, according to the Democrats, has joined hands in an unholy alliance with the Republican tax policy which has denied tax relief to low and middle-income families. The Democratic goals and measures promised for the next five years, however, give the impression that too much is promised in the matter of both spending and saving.

The Republican platform, on the other hand, stoutly defends the Party's record in the international field and pledges itself to almost the same foreign policy goals as those of the Democratic Party. In the field of civil liberties the Republican platform is distinctly better, for it fully commits itself to carrying out "with all deliberate speed" the Supreme Court's decision in the matter of school segregation and to working for the enactment of President Eisenhower's six-point civil rights programme. In the field of agriculture the Republican platform defends flexible farm supports which, it is stated, would be better than the Democrats' programme for piling up farm surpluses. In other respects, the Republican document is no better than the Democratic one. If anything, it is a shade poorer in quality for the simple reason that it is easier for the Opposition to criticise the party in power than for the latter to defend itself.

Neither the Democratic nor the Republican platform, however, may be decisive in its impact on the ballot box for the choice of candidates for the Vice-Presidency—Senator Kefauver by the Democrats and Vice-President Nixon by the Republicans—may tilt the scales against either Party. Senator Kefauver whose crime-and-politics investigation has made him 'a symbol of the individual voter against entrenched political power' is likely to add strength to the Democratic ticket in the urban and industrial North and, with his extreme position on farm subsidies, in the farming areas of the Midwest. With his advanced views on segregation, he is, however, unpopular in the South. Vice-President Nixon, reputedly the most controversial figure in American politics today, may turn out to be a liability to the Republicans inasmuch as the independent voters are most dissatisfied with him. Independent voters constitute a large body and they may tilt the scales against Eisenhower this time even as they tilted the scales against Stevenson in 1952. These voters regard Mr. Nixon—the choice of Republican Conservatives—as an unpredictable factor in the possible role of President and the Democrats do intend 'to employ Nixon to keep the health issue constantly to the fore'. The health issue, of course, is that if Eisenhower were re-elected and were not to run his full term, there would be the dangerous prospect of Vice-President Nixon's becoming President. As against this subtle Democratic propaganda, there is the near-probability of a great personality like Eisenhower retaining his presidency, for there is reason to believe that Ike is still deeply liked because he is so typical of the majority of the American people. Conflicting probabilities apart, the only safe guess than can be hazarded from at this distance is that it is not going to be an easy walk-over for President Eisenhower.

The Unsealing of Jute Looms

WHEN the IJMA took a decision to unseal 2½ per cent of the total loomage in January last, it was emphasised that it was difficult to say at that stage if it would have been to the ultimate interest of India to unseal more than 2½ per cent of the looms. In the case of a commodity like jute goods, the future of which was largely bound up with the availability and price of raw jute on the one hand and competitive foreign demand on the other, it was elementary prudence to proceed cautiously. After all, although 2½ per cent of the looms had then been unsealed, there was nothing to stop the IJMA from unsealing a further number of looms later. It was specifically stressed that on the other hand, it would have been most awkward indeed if, after having unsealed all or most of the jute looms, the IJMA were forced, by the logic of future events and circumstances, to re-seal some of the unsealed looms.

A further 5 per cent of the looms were unsealed on February 20 last. And yet hardly six months had passed when the very difficulties which many had foreseen became a reality. 2½ per cent of the looms were re-sealed with effect from July 16 and the IJMA has again announced its decision to re-seal another 5 per cent of the total loomage from September 17. The Indian jute industry has now reverted to the position obtaining towards the end of 1955.

The ostensible reason for this re-sealing of these unsealed looms is the steady accumulation of stocks of jute goods (both hessian and sacking, but particularly gunnies) since the first unsealing in January last. The following figures show the position at a glance:

STOCKS OF UNSOLD JUTE GOODS

1954-55 (In thousand tons)

	Hessian	Sacking	Others	Total
January	24.0	51.2	1.2	76.4
February	26.7	54.9	1.3	82.9
March	34.0	59.0	1.6	94.6
April	39.0	62.9	1.5	103.4
May	40.6	52.9	1.2	94.7
June	48.6	36.0	3.0	87.6

1955-56 (In thousand tons)

	Hessian	Sacking	Others	Total
January	25.6	45.3	7.5	78.4
February	28.2	52.2	9.0	89.4
March	30.3	55.2	9.5	95.0
April	35.9	63.3	8.7	107.9
May	40.6	71.7	7.4	119.7
June	37.5	82.0	6.4	125.9

It will thus be seen that, while during 1954-55, the accumulated stocks tapered off after April (the total stocks came down to 67.9 thousand tons at the end of September, 1955), they have been steadily mounting during the current year. At first, the accumulation was looked forward to by the industry (stocks, it had been urged, had fallen dangerously low in the latter half of the calendar year 1955), but soon it passed the safety

mark. The anticipated increase in foreign demand did not materialise and, with the increased production from the unsealed looms, stocks mounted still further. Foreign buyers kept off the market in the hope of a fall in the prices of jute goods and the IJMA had no other option but to reverse the decision it had taken early this year. Even the seasonal increase in off-take did not repeat itself during the current year.

It is interesting to note that, as a result of the announcement made by the IJMA, that a further 5 per cent of its looms would be re-sealed with effect from September 17, there has been an appreciable rise in the prices of jute goods, both hessian and sacking. The large overseas orders for jute goods which are being received, especially for hessian from the USA, are likely to raise the prices of jute goods still further. Although the shipments of both hessian and sacking are said to have been substantially better in August than in July, there is a danger that an abnormal rise in prices may act as a boomerang on the industry. If the past history of the jute industry is any guide, the overseas buyer is extremely sensitive to high prices. Under peacetime conditions, India can no longer afford to act as a monopolistic seller of jute goods; if prices rise above a certain margin, the Continental and Pakistani manufacturers would effectively undercut India. Moreover, foreign buyers would try to do without jute goods, either by dispensing with packaging altogether for articles in bulk or by turning to substitutes. The industry must, therefore, beware of the consequences of pushing too far the trend towards restricted production.

Another interesting feature of the situation is that the price of raw jute continues to remain steady, despite the fact that the proposed re-sealing would mean a cut of 125,000 mds. a month in the requirements of mills. This is said to be due to the occurrence of heavy rains throughout the jute-growing districts; these have caused river levels to rise both in India and in East Pakistan and in some areas flooding has actually taken place. Further, wagon space from North Bengal has been short and has seriously hampered sellers in bringing down jute to the mills. Furthermore, the grower of jute has become astute and shrewd. He would refuse to be stampeded into panicky selling merely because the IJMA proposes to re-seal another 5 per cent of its loomage: he is prepared to wait and see. On the other hand, there is the danger that if, as a result of the present re-sealing, the price of jute falls to uneconomic levels, the grower may sow less jute next year. This may not be to the ultimate advantage of the industry.

While it is undeniable that perhaps in no other trade in this country is the speculative element so strong as in jute, the industry must depend, for its prosperity, on the essential economics of the situation. The economics is that, under normal conditions, it must offer its goods at prices which the foreign buyer is prepared to pay. The ultimate effect of pushing up prices for transient benefit is likely to be disastrous. There was haste in unsealing looms in January last which brought its penalty. But the danger that lies behind a policy of rigid restriction of output must not be underrated.

THE WEEK'S NOTES

LAND REFORM BUNGLING

IN A provocative lecture delivered last week under the auspices of the Diwanchand Indian Information Centre, New Delhi, Prof. M. L. Dantwala (former Convener of the Ceilings on Holdings Sub-Committee of the Planning Commission's Panel on Land Reforms) returned more vigorously to his criticism of the country's land policy. One of his major criticisms was "regarding the failure in the sphere of implementation of whatever legislation has been enacted". The surveys conducted under the auspices of the Planning Commission's Research Programme Committee (of which he was himself the Member-Secretary till some months back) "have clearly revealed that both in regard to security of tenure and reasonable rents the provisions of legislation are almost a dead letter. It is estimated that there have been more evictions in the last ten years than in the previous hundred years. The Planning Commission, however, has chosen to avoid highlighting of these facts, obviously for political reasons. In an academic discussion, however, we cannot connive at these facts, particularly because they have an important lesson to give. In my view, that land reform programme is the best which can be quickly and fully implemented; for nothing is more dangerous than to announce a programme and not implement it".

The Bombay Professor's revelations do not startle 'The Eastern Economist' which has turned the spotlight in time on the vanishing tenant sector in its issue of June 8, 1956. It is too late in the day to bemoan the lot of the poor tenant (on whom the political demagogues continue to shed copious tears), for he is 'virtually' on the way out. But it is not too late to bemoan the plight of radical (but honest) agrarian reformers who always had their idealistic heads in the blissful clouds and refused to consider whether the reform measures canvassed by them were politically acceptable, socially practicable and administratively enforceable in the conditions of parliamentary democracy. If all the professors, experts and specialists hired by the Planning Commission failed to help that body evolve a land reform policy in strict accordance with social and economic realities at the village level, either they were incapable of being realistic and pragmatic in their approach or were misled by the radical demagoguery of politicians into rationalising ultra-radical proposals. That these proposals have kindled exaggerated hopes in the minds of the rural underprivileged but have largely failed to fulfil them, constitutes a bitter commentary on the "national" land policy. If poverty is itself a cruelty to the poor man, it is doubly more cruel to give him hope and then disappoint him. It is even more so to deny him security even at the level of poverty.

THE NAGA IMPASSE

THE RECENT Lok Sabha debate on the situation in the Naga Hills has once again served to focus attention on one of the most delicate problems confronting the Government. In spite of the attempts of the Opposition to make some capital out of it, actually the dividing line between the Opposition and the Government seemed to be thin. Mr. Nehru made it clear that his Government did not want to treat the problem as a military one because then they would have failed in their objective of "winning the minds and hearts of the Nagas" and securing their "goodwill and co-operation." The basic difficulty is, of course, the uncompromising attitude of the leading elements of the Naga National Council in demanding complete independence and the consequent violence and terrorism that has marred

the progress of that area so far. The Prime Minister frankly admitted that the Government and the Army might have committed some mistakes in the handling of the situation caused by the hostiles, but they had by and large shown "commendable patience" in spite of great provocation. But obviously so long as violence persisted, it was not to be expected that the Government should disown their responsibility and withdraw the Army.

But what then is the way out? The Prime Minister said that the Government would not consider it a "matter of prestige" in starting negotiations with the leaders of the Naga National Council provided they gave up their unreasonable demand for a separate state. He even offered to amend the sixth schedule of the Constitution, if necessary, to provide for greater autonomy to the people of these areas. He was equally conciliatory when he offered to consider the demand for ending the present dual control between the army and the civil power which has caused considerable frustration among the people. Here are obviously starting points on which the Government can take the initiative and translate their gesture into something positive and attractive which even the present hostiles cannot resist for long. If added to these, the active co-operation of the Nagas can be enlisted in the starting of projects of immediate benefit to the area, the "process of thaw" may conceivably be accelerated.

US CHIEF JUSTICE ON RULE OF LAW

IT IS a truism that an independent judiciary and a militant Bar are the essential safeguards in securing the rights of the individual in a democracy. But it acquires a special importance when it comes from an eminent jurist like Chief Justice Earl Warren who is now on a short visit to India. Mr. Warren, who is known in this country especially for the famous decision of the US Supreme Court in 1954 striking down racial segregation in public schools, has drawn pointed attention to the important role of lawyers in the new set-up of the country. In a refreshingly candid address to students of Law in Madras, Mr. Warren outlined a two-fold objective for them to be kept in view. One was to make the Government "strong, effective and responsive" to the needs and wishes of the people and, secondly, to see to it that it guaranteed to them all the Fundamental Rights contained in the Constitution.

Mr. Warren did well to assert that there was no greater privilege for one in this country than to hold the office of the citizen of the Republic of India, the youngest and the largest in the world today. But it entailed corresponding obligations. Thanks to the changes brought about by technology and science and the adoption of the concept of Welfare State, it is difficult to exaggerate the tremendous responsibility of lawyers in "making the laws change according to the new conditions and fit in under the law of the land". Still more important was their duty to the citizens in securing their rights. It was no use taking the rights recorded in the Constitution or the Human Rights declaration for granted. They must fight for them and make them live in the lives of the citizens. He put the problem in a nutshell thus: "Justice can be secured only when those who are not injured are just as offended as those who are injured". This dictum is of great validity for us in India. With the enlargement and extension of State activities and the phenomenal growth of the public sector, it is as well that one should be constantly reminded that one should not take our independence for granted or our freedom

and justice as natural heritage. These can never be secured unless they are fought for, of course, in a constitutional manner.

DISREGARD OF A CONVENTION

THE RAJYA SABHA witnessed last week the distressing incident of a healthy parliamentary convention being disregarded by the Treasury Benches themselves. The relevant convention was that the Government should not oppose a non-official Bill even at the stage of its introduction. When, however, an Opposition member sought leave of the House to introduce a Bill for amending the Constitution so as to 'restrict Parliament's powers to make laws on preventive detention in times of emergency declared by the President', Mr. Datar, Minister in the Ministry of Home Affairs, straightway opposed its introduction probably on the ground that a similar Bill was opposed in the Lok Sabha even in the initial stage. The Chairman referred to an instance where the Law Minister, though opposed to a Bill, had not opposed it when it was introduced. Mr. Biswas, Law Minister, also confirmed what the Chairman said. He was of the view that it would be sufficient for the Government to notify that they were going to oppose the Bill, while some Congress members also pleaded for the strict observance of the convention. Mr. Datar, however, raised the further objection that the Bill in question sought to take away from Parliament (not from the executive) its powers with regard to the Preventive Detention Act. When ultimately the motion for introduction of the Bill was put to the House it was rejected by 70 votes to 14. The Law Minister, the Parliamentary Secretary to the Minister for External Affairs and 15 other Congress members abstained from voting.

The Rajya Sabha incident raises the question whether an established parliamentary convention could be thrown to the winds by the Government when it does not suit their purpose. As the Government can well oppose a non-official Bill at the stage of consideration and throw it out if necessary, why should they deny an opportunity to a non-official member to explain the merits and purposes of his Bill in the course of a full debate? Why should the Home Ministry, in the particular case, disregard the advice of the Law Minister who ought to know better? A non-official member's right to introduce a Bill is a constitutional right which should not be abridged by any majority opposition to it at the stage of introduction itself. The merits or the demerits of a non-official Bill are irrelevant in the initial stage and they can be appraised only at the subsequent stage of consideration. It is to be hoped that the Treasury Benches will not depart, again and again, from established conventions which are a part of parliamentary practices even under a written Constitution.

THE BIHAR-BENGAL BORDER

THE UNION PARLIAMENT has just passed the Bihar and West Bengal (Transfer of Territory) Bill as amended by the Select Committee. The transfer of certain territories from the district of Purnea to West Bengal is intended to create a road link between the districts of Central Bengal and those of North Bengal. The two national highways that now connect West Dinajpur in Central Bengal with Darjeeling in North Bengal pass through the Purnea district in Bihar. The effect of the proposed territory transfer is that both the highways would physically belong to West Bengal. It has also been explained on behalf of the Government that this is an administrative necessity if smuggling on the Indo-Pakistan border is to be effectively tackled. The

explanation appears to have satisfied the Bihar members of Parliament.

But not all Bihar members are convinced of the desirability of transferring certain territories in the Purnea Sub-division of the Manbhum district to West Bengal. The contention in this connection is that such a transfer would lead to almost the same administrative difficulties for Bihar—difficulties of a kind which the Bill seeks to remove by the transfer of territories from the Purnea district to West Bengal. It is stated that the result of the transfer would be that a portion of the highway connecting Dhanbad and Jamshedpur and a portion of the highway connecting Dhanbad and Ranchi and Dhanbad and Muri would fall in West Bengal. Thus, the direct road link between the two industrial regions of Bihar would be cut off by the intervening territory of West Bengal. While it is true that the criteria adopted in the case of transfer of territories from the Purnea district have been abandoned in the case of transfer of territories from the Purnea Sub-division of the Mandhum district, Bihar may have to reconcile herself to the change now that Parliament has passed the Bill. After all both Bihar and West Bengal are going to be in the Indian Union—not going out of it.

THE CHINA-BURMA BORDER

DESPITE ALL the declarations of friendship between Burma and China, Burma does not seem to be entirely at ease with her northern neighbour. Only recently Chinese Communist troops moved into Burma along a 500-mile front running from Putao in Kachin State down to Wa States. In some places, Chinese outposts were reported 60 miles within Burma. It would not be out of place to mention that on the whole there is a 1,000 mile frontier between Burma and Communist China. This is not for the first time that the Chinese incursion has taken place; such a kind of trouble has been brewing since 1941 when the Sino-Burmese border was settled by a Commission appointed by the League of Nations. The Commission consisted of two British representatives from Burma, two Chinese appointed by the Chiang-kai Shek Government with a Swiss as Chairman. It is Burma's case that the Commission's findings have been ratified by the Governments concerned. Burma contends that the Peking Government is bound by the commitments of its predecessors. But the Chinese have neither denounced the old agreement nor have they accepted it. Chinese troops, believed to be over 1,000 strong crossed from Yunnan into adjoining Burmese territory three years ago and still continue to occupy it. Neither Burma's strong protests nor subsequent negotiations in Peking have resulted in any change in China's attitude.

The Burmese Government is reported to have sought now the good offices of India in securing the withdrawal of Chinese Communist forces from Burma's territory. A curious aspect of the conflict is that the Chinese have not so far officially explained the reasons for the presence of their troops in Burma, though hints have no doubt been thrown out that the border in the area had not been clearly demarcated. Burma's anxiety is that a mere adjustment of the boundary in a region which is uninhabited and filled with thick unexplored forests should be settled by peaceful negotiations without the presence of troops. Whatever be the points of view of both the Governments, the interests of peace demand that the problem be soon solved by erecting boundary pillars in terms of the 1941 Agreement between China and Burma. It is here that India's good offices have some chance.

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A Window on the World

THE CASE OF SERGEANT MC KEON

By

ODYSSEUS

SENSATIONAL MURDER or manslaughter stories have not, so far as the memories of the oldest members of our staff reveal, yet figured in these sober columns. It is high time, therefore, to create a precedent.

The recent trial of the US Marine Sergeant, Matthew Mc Keon, on charges of manslaughter of six recruits, drinking during hours of duty, and bullying the men under his command, was a human interest story that hit every front page throughout America, but the points raised were, I submit, not merely relevant but important to the industrial leaders, government officials, chiefs of staff, teachers, professors, and others in positions of authority who have to control men and who constitute the majority of *The Eastern Economist's* readers, because, on reflection, I think that it will be seen that the case illustrates in a crude and easily understood melodramatic way the problems of discipline and leadership.

Let us recall the facts. The US Marines are the crack corps of the US army, as the Guards regiments are of the British army, and as we hope that the newly formed Guards Brigade will prove to be of the Indian army. To produce these exceptional shock troops the US Marines do not differ from other armies in adopting extremely tough training methods. The ten initial weeks of the US Marine recruit's training are purposefully made hell for him, "to teach him discipline".

On April 8, 1956, tragedy overtook the 74 recruits of No. 71 platoon — boys of between 17 and 19 — in training at Parris Island, South Carolina, the headquarters of the US Marine Corps. Sergeant Mc Keon considered that discipline in platoon 71 was slack. Examples of this slackness given in evidence during his trial included: (1) that many of the boys had persistently been taking second helpings at meals against the orders of the Sergeant who took the view that second helpings would give pot-bellies to these eighteen-year-olds (who rose with Reveille at dawn and were on the go without respite until Lights Out); (2) during the rest period when the boys were allowed a few minutes off to smoke, some were so tired that they stretched out and went to sleep on the ground, thus disobeying orders (which specified smoking but not sleeping); (3) April 8 being a Sunday the boys of the platoon 71 were actually seen "lounging" in and around the barracks on their return from church. Some were even lying on the grass. Such conduct was beyond Sergeant Mc Keon's endurance. His patience was exhausted. He ordered the lounging leggers to spend the whole of Sunday morning scrubbing out their barracks as a preliminary punishment, while he retired to his bunk where, with the aid (as he said in evidence) "of three or four glasses of Vodka" (a raw and potent spirit distilled from potatoes), he cogitated upon further ways of teaching the "defiant platoon" discipline. Having decided that a night march through the adjoining swamps would meet the case, he spent the rest of the afternoon asleep — a preparation for the march denied to the boys in his charge.

SIX DROWNED IN THE SWAMPS

Shortly after 8 p.m. Sergeant Mc Keon led the platoon across country towards the swamps. He was

in jovial mood and wisecracked with the boys who were well disciplined enough to laugh at their Sergeant's jokes. The night was moonless and dark. At 8-30 p.m. the Sergeant led the 74 boys into a strip of mud that ran by the side of the tidal river, even though, as he later testified, he "had never been in the area before," and even though official training orders prohibited marches in the swamps. Marching order disappeared and the men fell over each other in the pitch blackness. It later emerged in evidence that 15 of the boys had failed in their swimming test during training and to encourage swimmers and non-swimmers alike, the Sergeant had told the boys that those who could swim would be eaten by sharks, and those who could not would drown.

Now well out in the river, Mc Keon twice shouted "Everyone all right?" The second time there was a loud "No" from a man bogged down in the mud. Mc Keon told the boys immediately behind him to help his fallen comrade but he himself did not stop. He yelled "Column left, march!" and headed into mid-stream. By now the column had lost all formation. There were simply 74 boys bobbing about trying to keep their heads above water. Panic spread. "We were all mixed up. Guys were screaming, grabbing onto each other," one survivor testified. After Mc Keon had called the march off and the boys had straggled back across the dark fields to barracks, six were found to have been drowned. The Sergeant was arrested.

Now, it is a matter of history that any charges made against an individual soldier which seem to reflect on the national army arouse deep emotion. The Dreyfus case in France is perhaps the most notorious example. Someone had been betraying military secrets to Germany. Captain Dreyfus was charged. The deeper that the prosecution went into the case the more apparent it was that Dreyfus was innocent. But the chiefs of staff could not admit to an error without (so they thought, and a very large section of French public opinion agreed with them) dealing a devastating blow to the prestige of the army.

DIMMED AND DAMNED

So it was a few weeks ago in America. A section of American public opinion felt that if the allegations made against Sergeant Mc Keon were substantiated, the prestige, glamour, and glory of America's crack corps would be lowered, dimmed, and damned. The US Marines, rather than Sergeant Mc Keon, seemed to be on trial and in need of vindication.

The Sergeant's defenders, therefore, cleverly concentrated on establishing that night marches and other physical hardships are essential to train shock troops. By flourishing this obvious truth, they successfully drew attention away from the real question at issue which, I submit, was: Should these physical hardships, legitimate as training, be inflicted in a vindictive spirit as punishment for offences so petty as to be fancied rather than real? The issues were further obscured by the fact that after Mc Keon's arrest, the Marines' Commanding Officer had issued strict orders that NCO's were not to give men special training without the

supervision of an officer. This was not a new order. That Sergeant Mc Keon had no authority to take his men out on a punitive march was not disputed. His defenders instead argued that, whether authorised or not, it was established practice for NCO's to take men out on their own responsibility, without supervision. So that the new enforcement of the old order was regarded by all the Marine Corps' NCO's, and by that large section of public opinion which sympathised with them, as undermining their authority.

Sergeant Mc Keon was acquitted of culpable manslaughter, ill-treatment of his troops, and conduct detrimental to the service, but was found guilty and sentenced to 9 months hard labour and reduction to the ranks, on grounds of negligent homicide and drinking in barracks. The verdict was received with acclamation by the Marines and the majority of US public opinion as vindication of the Corps. National pride was satisfied.

But what, in fact, did the court's verdict establish? That lounging about in the barracks after church on Sunday, sleeping on the grass when they should have been smoking, and taking second helpings at meals, are breaches of discipline of such importance as to warrant taking any man guilty of them out on a night march into swamps — providing only that he can swim!

The basic question before the court should surely have been whether the examples cited of platoon 71's slack discipline were sufficiently heinous to justify the loss of their hard-earned Sunday morning's leisure in order to scrub out the barracks and of a precious night's sleep in order to carry out a night march through swamps. To the ordinary common-sensed layman, the

punishment seems grotesquely out of all proportion to the pettiness of the "crime". To the industrialist or teacher brought up in modern techniques of leadership and discipline, the Sergeant's methods seem laboratory demonstrations of inefficient, antiquated attitudes, surviving *not* from the Nineteenth but from the Eighteenth century.

On the evidence, Sergeant Mc Keon should have been convicted of the grossest bullying and tyranny but this would have been less a condemnation of him than of the Marine Corps' whole system of discipline, because it is common knowledge that he was merely observing practices accepted by every NCO in the US Marines.

It must be pointed out that such practices are universal not only in the US Marines but in varying degree in every army in the world, and it is also part of my argument that although cases of parallel crudity may be rare in factories, offices, and schools, nevertheless the mistaken conception of discipline inculcated into Sergeant Mc Keon, whereby leaders seek to obtain results through fear of punishments and sanctions, remains far too widespread all over the world — not least in India.

I am forced to conclude with these dogmatic assertions because my space is exhausted, but I hope to show next week that the principles underlying good discipline and successful leadership in armies, factories, offices, or schools, are universal, and that infinitely greater efficiency in schools and armies, and greater productivity in factories and offices, could be achieved by discarding Sergeant Mc Keon's old-fashioned attitudes in favour of the modern methods that I shall outline.

August 31, 1956.

THE ECONOMICS OF GERMAN UNITY

(From Our Special West European Correspondent)

PARIS, August 24.

THIS year West Germany becomes the world's third industrial power, displacing Britain from the position immediately following the USA and Russia. At the beginning of 1956, the Federal Republic had already achieved an industrial production index number of 200 (1936=100), that is, she had doubled the output attained at the peak of Hitler's regime. By May of this year (the latest month for which the index number has been calculated) this figure had risen to 220, and has evidently gone on rising since. Notice in passing that this massive increase has been encompassed at almost stable prices, and that even today when inflation is threatening elsewhere in West Europe, West German prices, thanks to the recent reductions in import tariffs and increases in imports, are still remarkably steady. The interest of this fact for Indian readers is that it explodes the dogma accepted in Delhi, and unfortunately consecrated by the Bernstein mission from the World Bank, that economic expansion can only be achieved at rising prices.

However, it is not my intention here to dilate on the "West German miracle". That subject has been frequently treated, and it suffices to say that the explanations of the "miracle" lie in monetary reform, economic liberalism, American aid, freedom from rearmament and German hard work. My present subject is the impact of this economic progress on political plans for German reunification. That economic recovery might make reunification more difficult may at first glance appear odd, but Indians can think of the case of Bengal: Bengal was divided three years after Germany and the two wings of Bengal have since seen much less marked economic progress, but already the development of independent economies has made dreams of an eventual reunification quite implausible. The expansion of raw jute cultivation in the West and the establishment of jute mills in the East have put an economic "cost" on reunification which succeeding generations will be less and less willing to pay.

To what extent has this happened in Germany? What vested economic interests have been created by division, which will hamper possible reunification? A conventional view is that West Germany, having lost the rich agricultural regions of Saxony and Silesia would now welcome reunification as restoring economic balance between the industrial West and the agricultural East. This may have been true before 1948, it is no longer true today. West Germany has adjusted herself to the fact of division, and has in fact developed an economy extraordinarily like Britain's. West Germany and Britain have approximately the same area and the same population; both are heavily industrialised; both are incapable of feeding themselves from domestic output and both have therefore developed an economy based on external trade. Indeed, the parallel is so close that West Germany is now hoping to make the mark an international currency in the way sterling has long been; the freezing of Egyptian assets in London gave these hopes a fillip, for Bonn saw here an opportunity to persuade Egypt to conduct her external trade in marks. In the view of many West German industrialists, their republic no more needs the East economically than Britain today needs backward agricultural Ireland. They even congratulate themselves on having lost the poorest parts of old Germany, Brandenburg and Pomerania, which were supposed to be an economic liability. That in the

modern world Britain is having great difficulty in maintaining herself on the basis of external trade is no discouragement to the West Germans, for they realise that they are not saddled with many of Britain's disadvantages: imperial obligations, armaments, a welfare state and a national ideal of truculent indolence.

So this is the first economic obstacle to political unity: the belief that one half of the country needs the other has gone. But there are obstacles of a more positive kind. The first and most important of these concerns manpower. Both halves of the country are acutely short of labour, and as economic expansion progresses (and especially if rearmament burdens are added in the West) this shortage will become more embarrassing. Reunification will not ease this position; it would merely marry two shortages. Worse, West Germany has been meeting her shortage of labour precisely by taking advantage of the drift of population (partly for political reasons) from the East. West Germany's population in 1939 was 40 millions; today it is 50 millions—but in the last decade it has received 11.5 million refugees from East Germany. Without that influx, its population would actually have fallen because of the 4.6 million lives lost during the war. The birth rate is feeble: an excess of births over deaths of only 200,000 a year. West Germany relies for her economic expansion on a regular annual influx of 600,000 people from East Germany. The supply of Italian labour is quite inadequate. In a reunited Germany, population might continue to drift West to the more active industrial sectors, but the considerable political impetus to this migration would have been removed. Understandably, West German industrialists are not dissatisfied with the present situation, however, *galling it may be for political or sentimental reasons.*

Next, the discrepancy between the economic expansion in West and East Germany is itself a handicap to reunification. Last week, just when in West Germany satisfaction was being expressed about continued economic progress and when talk was revived about revaluating the mark, from East Germany came official complaints about shortfalls in the economic plan, crop failures after the hard winter, lags in basic industries, building and transport, raw material shortages, excessive centralisation and poor administrative methods in industry. Obviously, if these two economies were united West Germany would need to offer the East a sort of "Marshall Aid" to close the gap. Such aid need not be great or long in duration, and West Germany could easily afford it, but naturally West German industry is more interested in offering such aid to developing economies like India or Egypt. Certainly if political considerations proved overriding and West Germany agreed to extend economic assistance to the East to make reunification possible, the extent of German help to economies like India would be temporarily reduced.

But let us not exaggerate the discrepancy between West and East German economic recovery. Propaganda on both sides is concerned to disguise the facts, but it is fairly clear that East Germany too has done very well—less well than West Germany but still a higher rate of recovery has been attained than almost anywhere else in Europe. The difficulty for the prospect of reunification is that the recovery in the East has been to some extent parallel to, and hence competitive with, West Germany. In other words, in so far as

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East Germany has more or less kept pace with West Germany, their two economies have become less complementary and more competitive, and this puts a further obstacle in the way of unity. Just as West Germany has sought to become the source of capital goods for the western world and Asia, East Germany was allotted the role in the Soviet bloc of East Europe of the provider of machinery and investment goods. East Germany had to provide capital goods to Russia as reparations but now that reparations have ceased Russia is not willing to pay cash for the goods East Germany is equipped to produce. For East Germany, the principal source of foreign exchange is the export of machine tools, electrical equipment, precision instruments, optical equipment and the supply of complete factories. Since West Germany is strongest in the same departments, these economies can only be married if their respective markets are married also, that is, if unhampered universal trade is restored more or less throughout the world—and that is a problem that goes well beyond the mere reunification of Germany.

Not all the anxiety about the economic cost of unity is felt in the West; East Germany too has economic reasons for coolness to reunification. In the East have been realised important nationalisations which no one (pace the extreme anti-Communists) wants to go back on, but their future would be uncertain in an alliance with the liberal economy favoured in Bonn. Further, the agrarian reform pushed through under Communist auspices in East Germany can scarcely now be undone, although the peasants might welcome relief from some other forms of Communist organisation in agriculture. Since the expropriated landowners are in West Germany, many people in the East might wonder what their future would be in a reunited state. Free university education in the

East and paid education in the West provide another minor example of economic discrepancy between the two economies which would cause some difficulty in reunification.

There are many political reasons for thinking that the reunification of Germany lies a long way in the future. We have added some economic reasons for the same scepticism. By themselves, they are not decisive but they serve to make the point that whether unity be politically possible or not, it will have an economic cost that someone will have to pay.

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NOTICE.

The Board of Directors of the Company in their Meeting held on 24th August, 1956 have declared an interim dividend at 12 annas per share on the Ordinary Shares of the Company for the current year. The dividend will be payable to the registered Shareholders as on the 30th September, 1956.

The Share Transfer Books of the Company will remain closed from 21st September to 30th September, 1956 both days inclusive.

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WORLDGRAM

AGRICULTURE

Major Soil Conservation Scheme: Shri Ajit Prasad Jain, Union Minister for Food and Agriculture, stated in the Rajya Sabha that the Government of India proposed to launch a major scheme of soil conservation in order to protect the big dams from silting. The scheme had not yet been prepared and would be done only after a detailed survey of the catchment areas of the concerned projects had been completed. Proposals for undertaking such a survey were under consideration. It was not proposed to engage any foreign experts on the proposed survey on which Rs. 15.5 lakhs would be incurred during 1956-57.

Seven Agricultural Research Projects under I.A.R.I.: Seven Agricultural Research Projects to be undertaken in the States have been included in the second Five-Year Plan of the Indian Agricultural Research Institute. These projects are Bee Keeping Scheme to be located in Bihar; Vegetable Breeding sub-station in Punjab; Plant Introduction sub-stations to be opened in Travancore-Cochin, U.P., Madhya Pradesh and Rajasthan. Co-ordinated Plant Virus Scheme in Bombay and Punjab; Co-ordinated wheat Rust Control Scheme in Punjab, Bihar, Madras and Madhya Bharat; Bunt Control Scheme in Punjab and four regional sub-stations of Indian Agricultural Research Institute to be opened in Madras, U.P., Assam and Rajasthan. The schemes on Co-ordinated Plant Virus and Co-ordinated Wheat Rust Control which were so far functioning under the Indian Agricultural Research Institute, New Delhi, had been taken over under the second Five-Year Plan.

Cotton Cultivation in India: Shri A. P. Jain, Union Minister for Food and Agriculture, told Sarvashri Iqbal Singh and Akarpuri in a written reply in the Lok Sabha that no target of area under cotton had been fixed under the second Five-Year Plan. It was, however, estimated that approximately 20.64 million acres would be brought under cotton cultivation during the last year of the second Plan period, raising the production of cotton from 42 lakhs bales in 1954-55 to about 56 lakh bales in 1960-61.

West Bengal Land Acquisition Bill: The President has given his assent to the West Bengal (Requisition and Acquisition) (Amendment) Bill, 1956. The Bill seeks to amend the West Bengal Land (Requisition and Acquisition) Act, 1948, so as to provide that land containing underground mines and minerals may be excluded from acquisition. Under the West Bengal Estates Acquisition Act, 1953, proprietary rights in mines and minerals vest in the State. However, Government would have to pay heavy compensation if it wanted to resume the rights of lessees and sub-lessees in mines and minerals. There is one other difficulty. The West Bengal Land (Requisition and Acquisition) Act, 1948, was passed to enable the State Government to obtain quick possession of land in urgent cases. Proceedings for quick acquisition of land for various development projects in West Bengal have been started under this Act. However, "land" as defined in the Act also includes "mines and minerals". The Bill has been promoted with a view to obviate these difficulties.

INDUSTRY

Resistance Spot Welding in Mild Steel: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard code of practice for resistance spot welding for light assemblies in mild steel. In recent year, considerable development has taken place in the field of welding. This code is meant to serve as a guide to the industries using the resistance

welding process in the fabrication of light mild steel assemblies. For a particular weld design to be efficient, safe and satisfactory, the designer should be conversant with the possibilities and limitations of the welding processes which are available for use. Comments on this draft code may be sent to the Indian Standards Institution, 19 University Road, Delhi-8, before October 26, 1956. This code is one of a series consisting of more than a dozen standard specifications and codes relating to welding, under preparation as part of the steel economy programme of the Indian Standards Institution.

Determination of Fineness of Raw Wool: An Indian Standard method for determination of mean fibre diameter of raw wool has been published by the Indian Standards Institution. It prescribes a method for determination of fineness of wool in terms of arithmetic mean diameter in microns and by standard deviation, standard error and the per cent co-efficient of variation representing dispersion. Copies of this standard are now available for sale at the Indian Standards Institution, 19, University Road, Delhi-8, and its branch office at 40/40A, Cowasji Patel Street, Fort, Bombay.

Enamelled Cast Iron Sanitary Appliances: The Indian Standards Institution has issued a standard specification for general requirements of enamelled cast iron sanitary appliances. The standard lays down requirements regarding the base material, tolerances and dimensions, warpage and finishing. Tests for enamel which include abrasion, acid resistance and alkali resistance have also been specified in the standard.

TRADE

Export of Indian Electric Fans: Electric fans "Made in India" are being exported to 33 countries in Asia and Africa. In 1955, 17,318 fans, valued at about Rs. 20.3 lakhs were exported to these countries. Singapore was the largest purchaser of Indian fans. Among other countries which imported Indian fans in substantial quantities were Ceylon, Kuwait, the Sudan, the Federation of Malaya, Nigeria, the Bahrain Islands, Tanganyika and Zanzibar. The production of fans in the country went up to 2,82,236 in 1955 from 2,38,850 in 1954. Figures for the first five months of 1956 show that a higher rate of production is being maintained this year than in the previous year. The production of fans from January to May, 1956 was 1,36,450. The requirement of fans in India by 1960-61 is expected to go up to 6,00,000 fans a year. There are at present 19 units engaged in the manufacture of electric fans with an annual rated capacity of 4,01,700.

Imports of Bicycle Tyres and Tubes: Shri Manubhai Shah, Minister for Heavy Industries, revealed in the Lok Sabha that Messrs. Dunlop Rubber Company had been granted licences to import reasonable quantities of bicycle tyres and tubes. These would supplement supplies, which were expected to arrive in the country in due course against licences granted earlier to importers of cycles and local manufacturers of cycles. Shri Shah added that this step had been taken as an emergency measure to improve the supply position of bicycle tyres and tubes so as to relieve the shortages in supplies at present.

Indo-Egyptian Trade: Shri Bali Ram Bhagat, Deputy Minister for Finance, revealed in the Lok Sabha that his attention had been drawn to reports in the Press that Government of UK had placed restrictions on Egypt's sterling balances. The Govern-

ment of India had also been informed officially by the UK Government of the restrictions placed by them on Egyptian holdings of sterling. Shri Bhagat added: "Under the arrangement arrived at to implement the trade agreement between India and Egypt all payments in respect of exports from Egypt to India are to be made in Indian rupees. Forty per cent of such rupees have to be spent on purchases in India, while the remaining sixty per cent may, if Egypt so desires, be converted into sterling. "As the entire trade between Egypt and India is thus financed in rupees, the restrictions placed by the UK Government on Egypt's holdings of sterling should have no direct effect on Indo-Egyptian trade. If any difficulties do arise, Government will take such steps as are considered necessary to maintain the flow of trade between the two countries."

Export of Cotton Textiles: According to a statement of the Minister for Trade, the main reasons for decline in export of textile goods are: re-adjustment of trade in the various markets, suspension of O.G.L. in Burma, competition from Japan, China and Russia in some of India's traditional markets in Asia and Africa, increased world trade in rayon and other synthetic fibres, shrinkage in world trade of cotton textiles, manufacture of cloth for domestic consumption by some of the cotton growing industries which were large importers of Indian cotton textiles, higher prices in the internal market and increased demand for cloth in the country.

FINANCE

US Private Investments Abroad: The US Commerce Department reported recently that private investments abroad increased by \$2,400 million during the calendar year 1955 reaching a total of \$29,000 million. Another substantial increase is expected this year. The 1955 total includes 19,000 million in "direct" investments—those where US investors have control over companies they organize abroad—and \$10,000 million in indirect investments, such as purchases of foreign stocks and bonds and real estate. The \$29,000 million is divided as follows: Canada, \$10,600 million; Latin America, \$8,200 million; Western Europe, \$5,400 million; other countries, \$4,800. The \$19,000 million in direct investments on record at the close of 1955 represents a post-war increase of \$12,000 million. Canada and Latin America each has about \$6,500 million; \$3,000 million are in Western Europe; and the balance elsewhere. By industry \$6,300 million is invested in manufacturing; \$5,800 million in petroleum; \$2,200 million in mining and smelting; with the remainder in a number of other industries.

Payment of Dividends by Non-Evacuee Companies: At the Indo-Pakistan Conference held at Karachi in March 1955, it was decided that no restrictions either under the Evacuee Property Law or the Exchange Control should be placed on the payment of dividends on shares (not deposited in banks) held in the non-evacuee Joint Stock Companies or the payment of interest on debentures. For this purpose, shares of Joint Stock Companies, other than those companies whose head offices have remained in the same country, but the holders of majority shares have migrated to the other country, will be treated as non-evacuee property. Instructions for the implementation of the decision were issued simultaneously in India and Pakistan on November 1, 1955. Complaints have, however, been received from evacuee shareholders that some of the non-evacuee Joint Stock Companies still continue to refer the question of release of dividends to the Custodians of Evacuee Property for orders. This has resulted in due delay in the payment of dividends.

Non-evacuee Joint Stock Companies are advised that the decision of the two Governments should be fully implemented and dividends on shares or interest on debentures held by evacuees in non-evacuee Joint Stock Companies remitted to them without reference to custodians of Evacuee Property.

Air France's Profits: Air France has reported a net profit of £20,000 for the year 1955 after meeting a debit of £334,000 being the balance of the year's "exploitation accounts", and an indemnity of £381,000. The carry-over shows a debit balance of £1,487,000, which is affected mainly by 1953 results when exploitation was carried out in unusual circumstances owing to social difficulties, delays in plane deliveries, etc. Passenger-kilometric percentage has risen by 13 and non-kilometric percentage by 10.

Bombay Finance Amending Bill: The President has given his assent to the Bombay Finance (Amendment) Bill, 1956. The Bill aims at affording some relief to small scale and cottage industries using electricity for electro-metallurgical and electro-chemical processes by lowering the rates of electricity duty applicable to them. It further seeks to amend certain provisions of the Bombay Finance Act, 1932, relating to stamp and electricity duties with a view to remove certain defects. The Bombay Finance Act, 1932, imposes four distinct types of taxes and fees viz., electricity duties, court fees, stamp duties and urban immovable property tax.

GENERAL

Industrial Disputes and Relations in India during May 1956: The new cases of industrial disputes occurred during May, 1956, numbered 81 and involved 42,147 workers as against 108 in the previous month involving 54,265 workers. The number of disputes current at any time during the month was 115. Of these, 114 involved 61,729 workers and accounted for a time-loss of 527,528 man-days. In the previous month the number of disputes current at any time during the month was 144, number of workers involved 81,467 and man-days lost was 522,719. The time-loss during the corresponding month last and the monthly average time-loss for the year 1955 were 961,719 and 474,821 respectively. Thus, the time-loss during the month under review was lower than that during the corresponding month of the previous year by 45.2 per cent and higher than the monthly average time-loss during 1955 by 11.1 per cent.

Sinking of Tubewells in States: The number of tubewells constructed and energised in India during 1955-56, stood at 1320 and 965 respectively said Shri Ajit Prasad Jain, Union Minister for Food and Agriculture in a statement recently. Out of this, 780 tubewells were constructed in U.P., 175 in Bombay, 169 in the Punjab, 164 in PEPSU and 32 in Bihar. The number of tubewells energised in these states was 437, 102, 133, 127 and 166 respectively. The estimated additional area irrigated on the basis of tubewells energised was 3,86,000 acres.

Dry Dock at Vishakhapatnam: Shri R. G. Dubey, Parliamentary Secretary to the Minister for Production, revealed in the Lok Sabha that the Board of Directors of the Hindustan Shipyard had accepted the recommendations made in the project report regarding the design and the size of the dry dock. The Government were now considering the project report and the recommendations made by the Board. The dry dock, it was pointed out could be used for repairing the largest of the Indian Naval ships.

NEWS IN BRIEF

INDIAN

About Rs. 1023.32 lakhs had been disbursed by way of loans to displaced persons by the Rehabilitation Finance Administration up to the end of June 1956.

An area of 20.06 lakh acres is estimated to have been brought under the Japanese method of paddy cultivation in 1955-56.

During 1955-56, 1,320 tube-wells were constructed and 965 energised in the country.

A provision of Rs. 34.50 lakhs has been made in the second Five-Year Plan for the development of the Homeopathic system of medicine.

India's requirements of mining machinery in the public sector during the second Plan period have been estimated at Rs. 41.24 crores.

India's coastal trade rose to Rs. 313.29 crores during the year ended March 1956 compared with Rs. 287.36 crores in the previous year.

The quantity of glycerin exported from India rose from 43,644 cwt. in 1954-55, to 54,191 cwt. in 1955-56, according to trade statistics.

It is reported Manganese chloride exports from India rose sharply from 4,817 cwt. in 1954-55 to 10,351 cwt. in the next year.

The import of precious and semi-precious stones into India recorded a sharp increase from nearly Rs. 7.8 million in 1954-55 to Rs. 9.8 million in the following year. The increase was mostly in respect of pearls whose import went up from Rs. 5.7 million to Rs. 7.5 million.

The Hindustan Aircraft (Private) Limited, has entered into a technical assistance agreement with Maschinenfabrik Augsburg Nuernberg A. G. (popularly known as M. A. N.), West Germany, for the manufacture of rolling stock in its factory at Bangalore. The agreement covers the manufacture of rolling stock of different types, including integral coaches.

India has given to Pakistan Government 15,000 tons of rice on loan and 5,000 tons as a free gift to meet the food crisis in East Pakistan.

The Minister for Heavy Industries, Shri Maubhai Shah, said in the Rajya Sabha recently that the value of electrical machinery imported in 1955-56 was Rs. 19.94 crores as compared with Rs. 15.8 crores in 1954-55.

FOREIGN

According to the Independent Petroleum Association of America total demand in the United States for oil in the three months from May to July this year averaged 3,560,000 barrels daily. This represented an increase of 476,000 barrels daily compared with the same months last year.

Basic materials prices in Britain fell during July, mainly as a result of lower average prices for copper, raw cotton and raw wool, hides and skins, linseed oil and imported soft wood.

The Federal Reserve Boards seasonally adjusted index of US industrial production in July was 136 per cent of the 1947-49 average, compared with the revised estimate for the previous month 141 and 139 a year ago.

Pakistan has signed a trade agreement with Czechoslovakia for one year, renewable as short notice. Under the agreement Pakistan will buy machinery, iron and steel, newsprint, diesel generators, and a number of other finished goods.

Preliminary trade returns issued recently by the Central Statistics Office in Dublin show that Eire's imports for the first seven months of the year were valued at £113,755,000, a decrease of £16,937,000, compared with the corresponding period last year.

Trade with the UK in the first half year showed a marked expansion of Dutch exports, and a lesser increase of imports.

The highest figure registered for Swedish exports for any month since June 1951, was attained in June this year which also was the first month in 1956 to show a surplus of exports over imports.

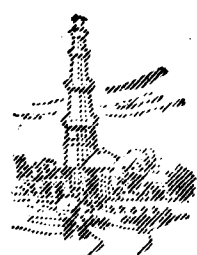
It is reported Japan will shortly open negotiations with Sweden and the United Kingdom for the conclusion of agreements on the avoidance of double taxation.

Barclays Bank D.C.O. points out, that during the quarter ended June 30th, the number of people in civil employment in West Germany rose by 860,000 to 18.4 million (men 12.4 million; women 6 million), the highest figure ever recorded.

It is reported Canada's production of chemical and groundwood pulps in the first six months of 1955 showed a substantial gain at 5,223,736 tons.

The German trade surplus is running at double the rate of last year. During the seven-month period January-July, it amounted to DM 1,800 million, compared with DM800 million during the corresponding period of last year.

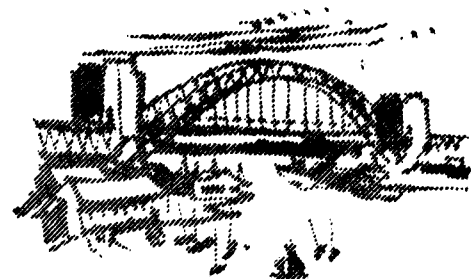
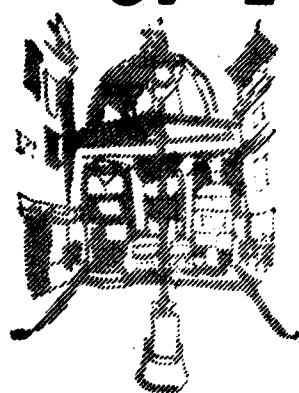
Pan American World Airways has reported a net profit of \$5,965,000 (£2,129,000 sterling) for the first half of 1956, compared with \$4,550,000 (£1,623,800) for the corresponding period of last year.



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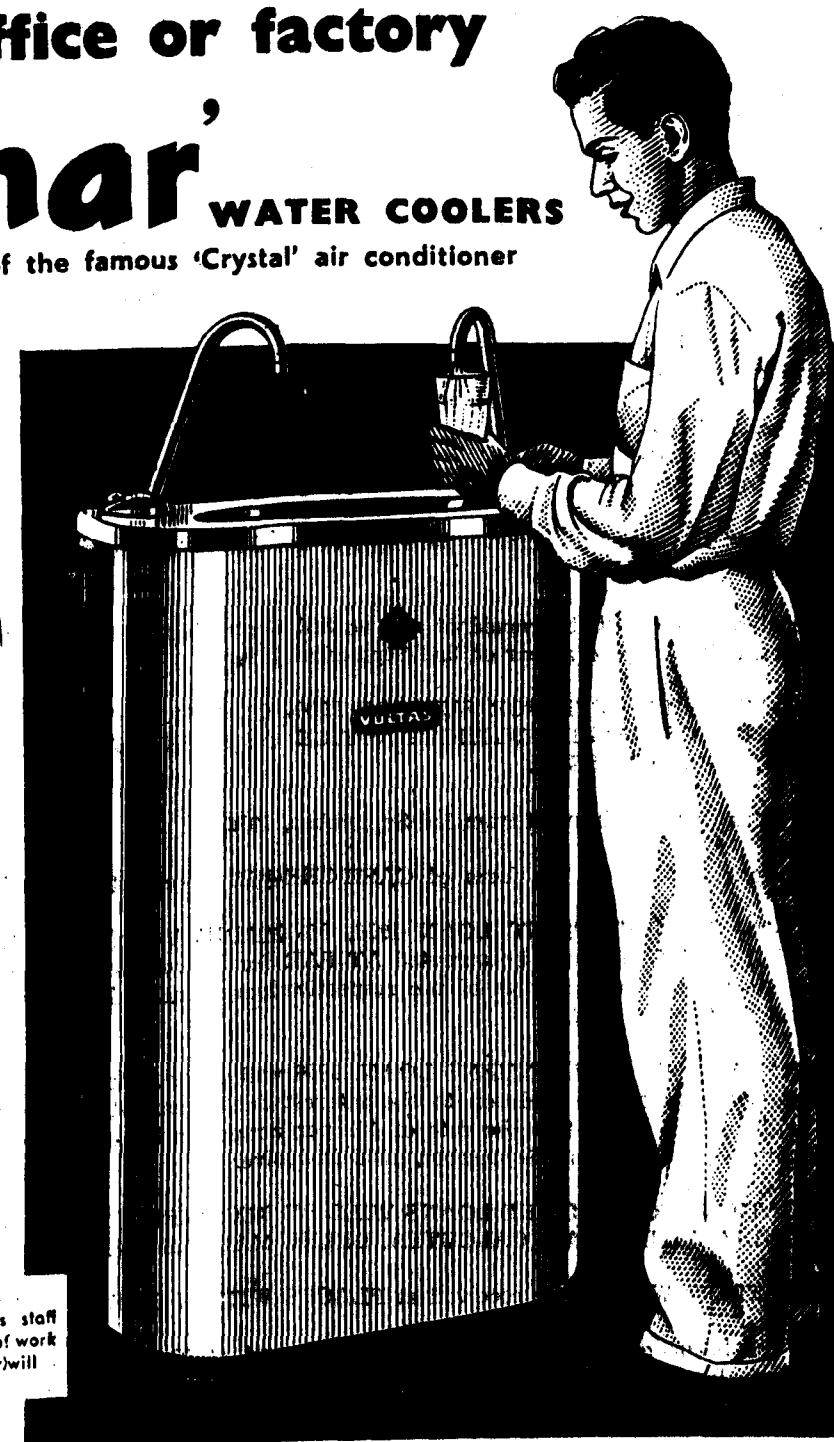
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4. Government of Hyderabad	Rs. 200 lakhs	Issue price Rs. 99-8 per cent.
5. Government of Madhya Bharat	Rs. 100 lakhs	Issue price Rs. 99-4 per cent.
6. Government of Madhya Pradesh	Rs. 150 lakhs	Issue price Rs. 99-4 per cent.
7. Government of Madras	Rs. 1250 lakhs	Issue price Rs. 99-12 per cent.
8. Government of Mysore	Rs. 400 lakhs	Issue price Rs. 99-8 per cent.
9. Government of Orissa	Rs. 300 lakhs	Issue price Rs. 99-4 per cent.
10. Government of Punjab	Rs. 200 lakhs	Issue price Rs. 99-4 per cent.
11. Government of Rajasthan	Rs. 300 lakhs	Issue price Rs. 99-8 per cent.
12. Government of Saurashtra	Rs. 250 lakhs	Issue price Rs. 99-8 per cent.
13. Government of Travancore-Cochin	Rs. 200 lakhs	Issue price Rs. 99-4 per cent.
14. Government of Uttar Pradesh	Rs. 800 lakhs	Issue price Rs. 99-8 per cent.
15. Government of West Bengal	Rs. 700 lakhs	Issue price Rs. 100-0 per cent.

All the State Governments reserve the right to retain subscriptions up to ten per cent in excess of the notified amount.

All the above loans will be repaid at par on 3rd September, 1968 except that of the Government of Bombay which will be repaid at par on 3rd September, 1970.

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 3RD SEPTEMBER, 1956, AND CLOSE ON 10TH SEPTEMBER, 1956 OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

All the loans will bear interest from 3rd September, 1956.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

3% BOMBAY GOVERNMENT LOAN 1956, 3% MADHYA PRADESH LOAN, 1956 and 3% MADRAS GOVERNMENT LOAN, 1956 will be accepted AT PAR for conversion into the new loan of the Government concerned; interest on the securities of the respective loans tendered for conversion will be paid up to and including 2nd September, 1956.

3½% TRAVANCORE GOVERNMENT LOAN, 1956 will be accepted at PAR for conversion into the new loan of that Government. In addition to the interest due on securities of that loan tendered for conversion, tendered will be paid interest at the rate of 4% per annum on the amount of the principal of such securities from 1st August, 1956 to 2nd September, 1956 inclusive.

APPLICATIONS FOR ALL THE LOANS WILL BE RECEIVED AT THE OFFICES OF THE RESERVE BANK OF INDIA AT BOMBAY, CALCUTTA, DELHI, MADRAS AND BANGALORE.

APPLICATIONS will also be received at PLACES WITHIN THE RESPECTIVE STATES as follows:

(i) At the branches of the State Bank of India and at Treasuries and Sub-treasuries in the case of Andhra, Bihar, Bombay, Madhya Pradesh, Madras, Orissa, Punjab, Rajasthan, Saurashtra and Uttar Pradesh.

(ii) At the branches of the State Bank of India in the case of West Bengal loan.

(iii) At the Branches of the State Bank of India and at District Treasuries only in the case of Madhya Bharat loan.

(iv) At the branches and treasury pay offices of the Hyderabad State Bank and at Treasuries and Sub-Treasuries in the Hyderabad State in the case of Hyderabad loan.

(v) At the branches of the Bank of Mysore Ltd., in the Mysore State except at Bangalore and at Taluk Treasuries in the Mysore State at places where there is no branch of the Bank of Mysore Ltd. in the case of Mysore loan.

(iv) At Treasuries and Sub-Treasuries only in the case of Travancore-Cochin loan.

Copies of Notifications and Application Forms may be obtained at any Receiving Office.

Economic Report from the U.S.

FLOW OF PRIVATE CAPITAL

(BY GUY SIMS FITCH)

WASHINGTON, August 28.—Recent years have seen a notable acceleration in the flow of private capital around the world, as Free Nations everywhere have exhibited greater financial stability and an unprecedented capacity for economic growth. Bearing out this trend, reports just issued by the US Department of Commerce show significant increases in both American investments abroad and foreign investments in the United States. Continuing their steady post-war expansion, private US investments in other countries increased in value by \$2,400 million during 1955 to a total of \$29,000 million. At the same time, foreign holdings in the United States rose \$2,800 million to a record \$29,600 million.

As was to be expected, differing needs and conditions in the United States and elsewhere have led to some divergencies in the nature of these investments. Direct investments in productive facilities make up the largest part of private US holdings abroad, with a book value of more than \$19,000 million compared with only \$7,000 million at the end of World War II. These American investments are widely distributed among many industries, with manufacturing, petroleum, and mining and smelting taking the largest shares. They are going to every part of the world, to every land interested in obtaining fresh sources of capital and managerial experience to spur its economic progress.

Thus, while Canada continues to be the leading area for American investment, remarkable gains have been registered in recent years in Latin America, Australia, and even in Western Europe. Increases also have been outstanding in a number of Asian and African countries, including Japan, Indonesia, and the Union of South Africa. On the other hand, more than half of the foreign assets in the United States consist of liquid balances held mainly in bank deposits or US Government obligations. Direct foreign investments in US productive enterprises aggregate only \$4,300 million.

Until fairly recently—indeed throughout the nineteenth century—these direct investments contributed importantly to the industrial development of the United States. But as American industry and internal capital formation have expanded, foreign funds have played a proportionately smaller part in US economic growth. But foreign holdings of American corporate stock, as distinct from direct investments, are much larger than similar American holdings abroad—a reflection, perhaps, of the long-term financial stability and earning power of the US economy. These foreign holdings had a record market value of more than \$6,500 million at the end of 1955. Largely because of the tremendous growth of stock ownership among Americans from all walks of life, however, they constitute only 3 per cent of the value of all publicly traded issues in the United States.

Increasing confidence in foreign currencies, meanwhile, has been stimulating American demand for foreign equities. American holdings of foreign stocks rose in value by nearly \$600 million last year. More than 50 issues from about 15 other countries are listed on official US exchanges, and many more unlisted issues are traded on a so-called "over-the-counter" basis. Foreign stocks traded in the United States today display a geographical diversity which has not been apparent for 25 years or more. US trading is brisk in

corporate issues from all parts of the world, including the American Republics, Asia and Africa.

Wherever it has found a reasonably cordial atmosphere in which to function, private capital has helped meet growing demands for the materials, products, services, and skilled labour and management forces needed for economic growth. Given a propitious climate, moreover, it can pile benefit on benefit. Last year, for instance, \$870 million of the earnings of American companies abroad—some \$65 million more than in 1954—were retained for re-investment in the economies of most countries. The largest international supplier of capital—the United Nations World Bank—consistently has advocated a larger flow of private investment to help nations meet their economic requirements. Only recently, in a report on India's ambitious development programme, the Bank urged "greater positive measures to encourage and facilitate foreign investment and managements."

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The Business World

REQUISITES OF PROGRESS IN THE SECOND PLAN

By
CROESUS

THE present phase in the economic growth of the country was characterised by Shri Murarji J. Vaidya, President of the Indian Merchants Chamber, Bombay, as a "critical hour in our march towards economic regeneration," and, on the threshold of the second Five-Year Plan, he said, the prime need is to increase production, to develop and expand trade, to promote exports, to raise the incomes and standard of living of the people, to grow more food and to instil a feeling of security and hope in the people to fight the possible and imminent dangers of inflation, shortages of consumer goods and consequent discontent among the general mass of the population". (This he said whilst addressing members at the Second Quarterly General Meeting of the I.M.C.). Now, is this need recognised and are the policies and measures being adopted by our Government conducive to its fulfilment? According to the I.M.C. Chief, who is recognised by all as a sober and level headed business man, the developments which have taken place in the last few weeks, both in the national and in the international spheres, threaten to stand in the way of our country achieving the diverse goals in different fields of economic activity as indicated above. In the first place, all the unhappy occurrences prior to the decision by Parliament on the bigger bilingual Bombay State were not in the best interests of the Indian economy. But, as he added, the eventual solution to this vexed problem "provides ample proof of the innate good sense, unity, patriotism and the spirit of happy and democratic compromise of the India of today." In the context of the prevailing temper of the people in Gujarat, Mr. Vaidya did well to point out that "there is no valid reason for anyone to entertain any doubts about the benefits that each and every region will derive from the economic strength and administrative efficiency for which our State of Bombay has justly held a place of pride in the Republic of India. If anything, the bigger State, comprising all the Gujarati and Marathi speaking people, will ensure a more integrated and rapid development of the economic resources, foster feelings of brotherhood and solidarity among the people, and will enable this large and resourceful State to make its rightful contribution to the overall development of our nation."

Secondly — and this is a question which has occasioned considerable controversy — the incursion of the State into spheres which have been pioneered and developed by free enterprise can, by no stretch of one's imagination, make for the results desired; on the other hand, there is every chance, under the State auspices, of the results falling far short of even those under the existing order of things, which means not only the uncalled for disruption of established channels but also the avoidable wastage of efforts and expenses that can certainly be better employed elsewhere. It is not to be wondered at, therefore, that Mr. Vaidya felt it necessary to say in quite unequivocal terms, what he thought of the State Trading Corporation. The history of State Trading in almost all the countries of the world, he stated, has been one of dismal failure. "It passes one's comprehension," he exclaimed, "as to why the activities of the State Trading Corporation should have been expanded in these directions with such rapidity, so soon after the announcement of the new Industrial Policy by the Prime Minister in the Lok Sabha in April last has begun to give a feeling of reassurance and stability

to the business men and industrialists of our country!" He might have added — but he did not; he perhaps left it to be inferred — that the advent of the S.T.C. has undone nearly all the good that the Prime Minister's assurance had done. When Government's policy is thus subject to uncertainties — it cannot be otherwise when the assurances given by one Union Minister are withdrawn by the subsequent statements of another — it is but natural that there should be apprehensions and misapprehensions, a situation which is anything but conducive to economic development. "At a time when we have launched upon a huge programme of economic development in the shape of the second Five-Year Plan with targets which even the World Bank Mission have mentioned as ambitious, the great need" as Mr. Vaidya remarked, "is a spirit of peaceful co-existence, co-operation and collaboration in all spheres of economic activity in the country." When it is well known that India suffers from a shortfall in respect of resources, both in money and in administrative and technical personnel, it would be scandalous, if not dangerous, to play ducks and drakes with whatever resources we have at our disposal. And, to quote Mr. Vaidya, "any attempt to displace the normal trade channels by the State can only result in the dissipation of these limited resources, not to speak of the bitterness, frustration, and disappointment that any displacement of the existing channels of trade and the consequent unemployment would create."

Vehemently criticising the tendency on the part of the State to make more and more inroads on the private sector thus, the I.M.C. President reminded how democracy and excessive concentration of power in the executive go ill together. Moreover, when the industrial structure of the country is still suffering from imbalance and concentrated efforts of all hands are required to establish and maintain the stability of the economy, it is difficult to appreciate why the authorities should be extra keen on entering a field which, from all accounts, is being run most efficiently and in the best traditions of the country. In this connection, Mr. Vaidya felt it necessary to emphasise that, contrary to the impression sought to be created by some responsible people, the private sector has not failed anybody and most of the established industries in the private sector have more or less fulfilled the targets laid down for them in the first Five-Year Plan. In as many as 24 lines of manufacture, as he pointed out, the installed capacity has been expanded to the extent of 100 per cent and over; the progress in terms of investment in industries in the private sector during the period too has been equally striking, and production in the private sector has more than kept pace with the general level of progress in production in the country as a whole. In support of this, Mr. Vaidya referred to the actual index of production in the textile industry which has moved from 101.3 in 1951 (1946=100) to as much as 122.7 in 1954, as also those for cement and chemicals, which have moved from 207.2 to 282.7 and from 260.2 to 595.5 respectively. Again, both annual rated capacity and output have exceeded the expected targets in the case, among others, of soap, paper, sugar, staple fibre and automobiles. In spite of this, if Government were to attempt to interfere with the production policies and the distribution mechanism of the private sector, on some pretext or other, it would only amount to "smo-

thering private initiative and destroying incentive for expansion and development," as Mr. Vaidya cautioned. Being as concerned about the country's prosperity as anyone else, he naturally voiced the unanimous demand of free enterprise that, "in order to play its full part in the economic rebuilding of our nation," the private sector should "be allowed reasonable freedom to run its units efficiently and independently with the least interference from the State."

It is, of course, common knowledge that the declared intention of the Government in establishing the State Trading Corporation has been to build up this country's foreign trade with the Communist countries. The S.T.C., it was feared by the more farsighted among the business community, would not stop with that, and this section expressed apprehension even at the time when the thin end of the wedge was being sought to be inserted, that the assurances that the Corporation would not supplant but supplement the activities of the traders might remain a pious hope. And events since have shown how well-founded these apprehensions have, in fact, been. It would now seem that, like *Oliver Twist*, the S.T.C. wants to have more and more lines of activity, hoping thereby — only to be disillusioned, I am sure — to augment its resources. The country would be grateful to our Statists if at least they do not land it in losses. But an even graver consequence would be that, in the process, many of the country's individual traders, large or small, might be deprived of their livelihood. This is, indeed, a queer way of solving the problem of unemployment!

As though these are not enough, industrialists in the private sector have to put up with some of the most unreasonable demands of labour. Lately, there has been a persistent demand, in certain quarters, for a 25 per cent increase in wages, and the irony — or is it the tragedy? — of it is that one's understanding is insulted by the cavalier assurance that this is not going to lead to inflation! This is as fantastic as, and is of a piece with, the claim of some of our Planners that the target for agricultural production under the second Plan could be raised, by resort to certain readjustments, by as much as 40 per cent without any extra outlay. Be that as it may, the need of the hour, as the I.M.C. President has emphasised, is a wage truce in our country also (as in the U.K., where they had the wisdom, in the immediate post-war years, to agree to the freezing of wage levels) in order to ensure that we do not dissipate the advantages gained through the increase in national output, on the one hand, and the grant of uncalled for concessions to only a small and vocal section of the community, on the other. Anticipating that this suggestion would certainly lead to a reciprocal gesture on the part of manufacturers as well, to reduce or not raise their own shares of the benefits resulting from industry in the

shape of profits, Mr. Vaidya volunteered the answer by pointing out that the graduated penal tax on additional dividends would take care of all these extra profits, inasmuch as, besides checking larger distribution of profits, the tax would also automatically lead to a greater quantum of profits being ploughed back for developmental purposes. Labour or capital, the one point that everyone in India must bear in mind today is that, unless and until we cry a halt to these increasing clamours for sectional advantages and gird up our loins to make every effort to see that the gains are dispersed for the benefit of the community as a whole, we shall not be making any real contribution to the building up of a stable and solid economic structure of the India of our dreams.

While Mr. Vaidya spared no efforts to point out the dangers inherent in the assumption of too much power by the State thus, Mr. Naval H. Tata, the IMC Vice-President, preferred to tackle the same subject from a different angle altogether. In Mr. Tata's view, the tendency on the part of the State to control more and more areas of the private sector cries for vigilance on the part of the latter, as also concerted efforts to put a stop to such an unhealthy trend. "Where else could this be more effectively managed than in the Parliament itself, wherefrom policies of economic, social and other controls emanate?" he asked. And, in this connection, he made a fervent plea for wider representation of the trading interests in the Parliament at the Centre as well as in State Legislatures. This may be going back on the decision to do away with functional representation, but, in the light of recent developments, it would appear that functional representation, requires to be revived and revived at once. Mr. Tata had no quarrel either with the socialistic pattern of society or the Welfare State as such, but he just gave expression to the almost unanimous opinion of the business community in India, when he declared: "We will have to seriously examine this question and take steps to create conditions under which we can contribute to the parliamentary activities in the country by securing the services of a few pro-Congress independent persons, representing trade, commerce, and industry, so that, in matters affecting the interests in our sector, we may be able effectively to voice our opinions and place our viewpoints before all concerned". There is no gainsaying the fact that under the present set-up of our legislative bodies, this is suffering grievously, despite the desperate efforts of the few independents who speak for the business community. The voice of these is lost in the wilderness, as it were, so much so that often times, when these people are jeered at for doing no more than their duty by their brethren, one is reminded of the adage that it is folly to be wise where ignorance is bliss.

WHAT IS COOKING ON THE TEXTILE FRONT?

By
(CROESUS)

THE spiralling-up of prices in certain sectors of the Indian economy, notably in agriculture, as reflected in the price movements of foodgrains and certain consumer goods, has given cause for serious concern in the price movements of foodgrains and certain consumer goods, has given cause for serious concern as much in trade circles as in official quarters. This only emphasises the need to keep a vigilant watch over every phase of industrial development so as to maintain, if not step up, output in order to ensure the smooth implementation of the second Five-Year Plan. The growing public realisation that any declining trend, either in production or in export, must not be allowed

to go unnoticed or unattended promptly enough is amply demonstrated by the frequent queries of our M.P.s. in Parliament.

A development which has been especially agitating official and non-official minds since the past few days has been the declining trend in the export of our cotton textiles. Answering a question in the Rajya Sabha, the other day, the Union Minister for Commerce stated that the export target of mill cloth was not reached during the last four years and explained that the de-

cline had been brought about due to a variety of reasons: readjustment of trade in the various markets; suspension of the Open General Licence; competition from Japan, China, Pakistan and Russia in some of India's traditional markets in Asia and Africa; increase in world trade in rayon and other synthetic fibres; shrinkage in world trade of cotton textiles; starting of textile manufacture by some countries which were hitherto importers of Indian cotton textiles; higher prices ruling in the internal market, and increased demand for cloth in the country.

An idea of the latest position in regard to textile exports, variety-wise, may be had from a study of the following table showing exports during the first seven months of this year:

	Coarse	Medium	Fine	Super-fine
	(In million yds.)			
January	12.71 (9.52)	37.75 (51.19)	0.53 (2.29)	0.82 (0.91)
February	15.37 (7.81)	50.00 (59.04)	2.12 (1.35)	1.18 (1.31)
March	14.25 (14.63)	43.54 (53.02)	1.45 (2.84)	1.43 (2.35)
April	15.06 (16.42)	41.59 (51.83)	1.03 (4.77)	1.80 (3.23)
May	19.40 (16.04)	47.37 (48.43)	1.82 (4.66)	1.82 (2.10)
June	16.21 (19.21)	43.71 (52.08)	1.99 (3.88)	1.89 (1.98)
July	14.14 (17.23)	39.65 (54.54)	2.46 (4.04)	1.73 (1.83)
TOTAL	107.14 (100.86)	303.61 (370.13)	11.40 (23.83)	10.67 (13.71)

(Figures in brackets are for 1955).

It is seen from the above table that the export of textiles not only followed a rather erratic trend for the seven months for which figures are available but also displayed, on balance, a distinctly discouraging performance, as compared to our textile exports in the corresponding months of the previous year.

Be that as it may, in order fully to appreciate the why and wherefore of this decline in India's export trade in cotton textiles, a study of the production figures for the corresponding months is also imperative. These were as under:

Month	Cloth		Yarn	
	1956	1955	1956	1955
	(Million Yards)		(Million Pounds)	
January	414	437	130	135
February	428	402	133	125
March	416	429	131	135
April	425	418	131	130
May	445	401	135	125
June	447	418	137	133
July	478	446	145	144
TOTAL	3053	2951	942	927

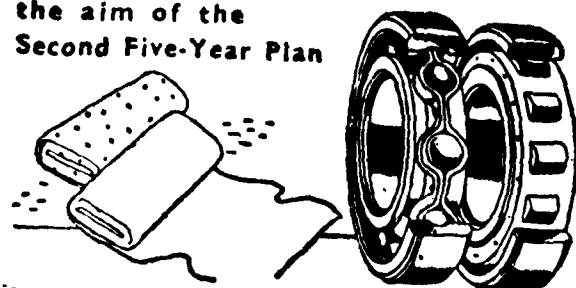
In sharp contrast to the haphazard pattern noticed on the export front, textile production, it is interesting to note, has been characterised by a steady rise from month to month. In fact, it is quite on the cards that the second half of the year would even improve upon the first, if the sharp increase in production as between June, the last month of the first half-year and July, the first month of the subsequent half, were any indication. Given favourable weather and a reasonable price level in raw cotton, there is no reason why textile production, which not only reached but exceeded the target under the first Five-Year Plan,

should not make a good beginning by maintaining this encouraging record and establishing a satisfactory level of production even in the first year of the second Plan. The prospects of such a consummation have been brightened, to some extent, by the Government's revised cotton export policy, which has certainly been more realistic than its earlier policy. But, then, one cannot help pointing out here that it would prove ruinous to the cause of textile exports if the authorities failed to come out immediately with a clarification as regards the excise duty on cloth. For some inexplicable reason, all the Bombay markets, shares, piece-goods, and cotton futures, have been thick with rumours to the effect that the authorities would raise the excise duty on cloth, since the past few days. This has naturally demoralised the concerned markets to some extent, and it is needless to say that a bearish atmosphere is hardly likely to prove conducive to progress in any sphere, be it exports or production. If the suspense in respect of this issue is not removed immediately, the Government of India would be unwittingly taking back with one hand what it has given with the other. Already the decided benefit that the trade did derive by the abolition of the export duty on coarse cloth is being threatened to be erased by apprehensions regarding a rise in the excise duty on cloth.

It is one thing to proclaim that one is alive to the perils of inflation, but quite another to take effective steps to counter any development that might eventually prove harmful to the economic health of the country. In this context, the proposal of the economic experts of the Union Finance Ministry to submit a memorandum on the vexed question of inflationary tendencies and shrinkage in our sterling balances assumes considerable significance. It is to be hoped that earnest efforts would be made to tackle these and other allied problems as, for instance, the decline and fall in India's textile exports, and to provide the necessary down-to-the-earth prescription for immediately curing the economic ills that have begun to beset the country.

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BUSINESS NOTES

CONSULTATION ON STATE TRADING

THE PURPOSE of the Conference on State Trading convened here last week under the auspices of the Federation of Indian Chambers of Commerce and Industry was to find a positive solution to the complicated situation allowed to be created by the abrupt decisions taken on behalf of the State Trading Corporation for its participation in the export of manganese and iron ores, import and distribution of cement and export of oils and oilseeds. The manner in which the area of state trading was sought to be expanded through the agency of the STC created a feeling of grave concern and great uncertainty about the future in the mind of the private sector of trade. Government on its part entertained certain misunderstandings about the attitude of private trade channels and this was largely due to the fact that a number of small groups representing trade interests from widely scattered regions could not represent to it their concerted and comprehensive viewpoint. The impression which the STC gathered was that private trade channels wanted to take an unhelpful attitude and thwart its attempts to engage in certain spheres of external trade. One great achievement of last week's conference was that the delicate task of representing the views of the private sector has now been entrusted to the Federation which can speak for the whole country with authority. Mr. B. M. Chinai, Vice-President of the Federation, has made a significant and categorical pronouncement of policy. The approach of the Federation and private trade would be based on the recognition of the fact that the private sector's plan to promote trade ought to be adjusted within the framework of official policy which is committed to State trading. Co-ordination between the activities of private trade and the STC ought to be secured by frank consultation.

It is certainly an error to blame, for the recent set-back to the export of ores, the private trade channels. Several factors are responsible for this unhappy turn and chief among them is the inadequacy of transport and chief among them is to allocate a share in port. The present arrangement is to allocate a share in ore exports to the STC of approximately one-third of the total trade. In a large number of cases, one of the vital feature of the trade needs special attention. Ship-owners provide finance to owners of mines for their operations. If the STC enters this field, how can dislocation of provision of credit be prevented? Would it not be advisable for it to keep aloof from this sector? The broad decisions which were arrived at at the conference are significant for the realistic nature of the approach of private trade interests to this question. In the case of cement, as the alternative scheme prepared by the interests concerned has not found acceptance with the STC, no purpose could be served by pressing it further. But in the case of ores and oils, the consensus is that separate consultative bodies should be formed for direct liaison with the Government to formulate broad policies about the participation of the two sectors and general conditions under which trade is to be operated. It is to be trusted that the STC, which will need a considerable period of time to acquire experience in the intricacies and risks of trade will treat the advice and consultation offered by the proposed bodies with the respect they deserve.

STATE FINANCIAL CORPORATIONS

THE BILL to amend the State Financial Corporations Act which has been introduced in the Lok Sabha is intended to incorporate mostly minor modifications in the original Act. Nevertheless, these modifications are important for smooth and more efficient working of the Corporations. It is now made clear beyond doubt that

"processing of goods" is one of the qualifying activities which would entitle industrial enterprises to assistance from the Corporations. Another amendment legalises the formation of a joint Corporation for more than one State and still another amendment aims at the same object by providing that a State may join an existing Corporation set up in another State. Clause 6 of the Amending Bill contains an important provision. It empowers the Corporations to borrow funds from the Reserve Bank of India for short periods not exceeding 90 days. The purpose of these borrowings is to tide over possible emergencies which may arise by reason of the necessity to discharge commitments already entered into by the Corporations, while scheduled or expected repayments fail for one reason or the other to materialise. State Governments have been invested with the authority to remove the Managing Director of a Corporation from office before the expiry of his normal term of four years on specific grounds after receiving whatever explanation the incumbent has to offer.

Clause 12 was highlighted as an important innovation in the Act by Mr. A. C. Guha in his speech before the Lok Sabha. That clause lays down that cottage industries also will be entitled to accommodation from the Corporations provided a State Government or a scheduled bank or a co-operative bank gives guarantee of repayment of their debts. The interruptions made by Members of the House, while Mr. Guha was dilating on this clause, indicate misgivings in the mind of the House about the effectiveness of the new provision in practice. It was pointed out that banks at least, if not the State Governments, would levy a charge for the guarantees offered. This would go to enhance the cost of credit to cottage industries. It may further be added that in view of the minimum size of the loan granted by the Corporations and the average size of a unit in cottage industries it would be well-nigh impossible for them to take advantage of this provision unless they organise themselves into co-operatives which can be dealt with as organisations of optimum size for credit negotiations. Certain observations made by Members of the House in the course of Mr. Guha's speech give expression to the dissatisfaction which generally prevails about the marginal role that these Corporations have been playing as providers of industrial credit. This subject was discussed at some length in a recent issue of this journal. It is clear that unless the present handicaps in the way of the ability of the Corporations to reduce their rate of interest, which now ranges around 6 per cent per annum, are removed with the assistance of State Governments and unless the Corporations show a greater spirit of enterprise in management, it is unlikely that the help which they give will be extended to a larger number of small and cottage industries.

TRADE WITH BURMA

TRENDS IN the trade of this country with Burma in recent years by no means give reason for complacency, but on the contrary they do cause some concern. The traditional pattern of Indo-Burmese trade has changed to the prejudice of this country and in particular Japan has made much headway in the textile market at the cost of India. While laying on the Table of the House a statement on the measures taken by the Government to increase the volume of trade, Mr. D. P. Karmarkar emphasised the following facts; that the Export Promotion Council for Textiles has opened an office in Rangoon, that an agreement has been signed with the Government of Burma for the supply of Indian cotton textiles and yarn worth about Rs. 2 crores against raw cotton supplied by the United States and that recently

the Government of India agreed to purchase 2 million tons of rice during the five years commencing in June 1956 in return for which the Government of Burma agreed to facilitate imports of Indian goods of approximately the same value. During the last two years two delegations were sent to Burma to study potentialities of the export of India's cotton textiles and engineering goods. It is not clear how far these delegations have succeeded in promoting exports in the two commodities.

Mr. Karmarkar has stated that discussions for concluding a fresh trade agreement between the two countries are in progress. When the agreement comes to be signed one fact would need attention. Import licences issued by the Government of Burma, it is said, are not matched by the grant of adequate foreign exchange to cover them and some licences actually sought to be used remain unfructuous. At present Burma's foreign exchange position poses a problem, but it is desirable that, considering the long-standing trade relations between the two countries, facilities should be created to encourage imports from India as a stable and continuous source of supplies.

PROBLEMS OF PLANTATION INDUSTRY

THE PLACE of the plantation industry can hardly be over-emphasised since it gives employment to nearly five lakhs of men and women and earns for the country nearly Rs. 5 crores every year by way of foreign exchange. Its importance was stressed and the problems pertaining to it were dwelt on recently by Mr. W. W. Kilgour, President of the United Planters Association of Southern India, at the sixty-third annual general meeting of the UPASI at Coonoor. Mr. Kilgour pleaded that rising cost of production in the plantation industry merited "more consideration" from Government and labour unions than at present. Referring to the cost of production, he pointed out that the rising cost was causing planters and business men a certain amount of fear. In the words of Mr. Kilgour "very considerable commitments which enhance the cost of production in recent years have been imposed on the industry. These are now coming into effect and their full impact will only be apparent in the next few years." Attention was drawn to the fact that other countries were entering into the field of competition with India and their number is bound to be considerably increased when countries like East Africa, Nyasaland, South America, New Guinea, Australia, Russia and Iran come into the world market.

Looking at the past record over the decade, one realises that the percentage of India's world exports in tea has fallen by 15 per cent. The picture being gloomy it would be in the interest of India to ensure that she does not price herself out of world markets. India's position as the largest producer of tea is by no means unassailable. Indian tea industry has to be prepared to face increasing competition from other countries. The position being as it is, if the industry is to maintain itself at a fair level of profit, it seems that demand will have to be increased not only in non-producing countries but within the country as well. And for this publicity will have rise to the occasion.

REGISTRATION OF NEW COMPANIES

ACCORDING TO a statement issued by the Department of Company Law Administration, the total number of Joint Stock Companies at work at the end of the financial year, 1955-56 is estimated at 30,381 with a paid-up capital of Rs. 10.91 crores. During the year 1955-56 itself, 1148 new companies were formed and their total paid-up capital at the end of the year amounted to Rs. 314 lakhs. In the first Five-Year Plan period, there was a net increase of over 1,800 companies in the total number of companies at work. The net increase in paid-up capital during the period amounted to Rs. 2.44 crores.

The new registration during 1955-56 numbering 1,448 Companies, are the largest on record since 1951-52, during which year 1,866 new companies were floated. New formations during the years 1954-55, 1953-54, and 1952-53 were 1,203, 1,193, and 1,333. Of the companies registered in 1955-56, the largest monthly total, viz., 235 companies is recorded in March, 1956, the month preceding the enforcement of the new Companies Act, 1956, on 1st April, 1956. It is the biggest total for any single month in recent years for which monthly figures are available. The total number of newly registered private companies is several times larger than that of public companies registered during the year. As against 186 public companies and 1,262 private companies of the year under review, the corresponding figures of the two classes of companies for the preceding year are 219 and 984 respectively.

A study of the frequency distribution of the newly registered companies during the year 1955-56 reveals that the number of companies incorporated with authorised capital up to Rs. 1 lakh is 689, i.e., 48 per cent of the total registrations during the year. The number of companies in the authorised capital groups Rs. 1 lakh—Rs. 5 lakhs, Rs. 5 lakhs—Rs. 10 lakhs and Rs. 10 lakhs—Rs. 25 lakhs is 558, 69 and 76 respectively. The top three strata viz., Rs. 25 lakhs—Rs. 50 lakhs, Rs. 50 lakhs—Rs. 1 crore and Rs. 1 crore and above together have 56 companies, the 'inter-se' distribution being 28 companies, 12 companies and 16 companies respectively. Out of the new incorporations during 1955-56, twenty-five companies, all private are managing agency companies. So far as the total number of joint flotations having an authorised capital of Rs. 1 crore and above are concerned, the number is estimated at 26. Amongst this year's giant flotations, the notable one's are Nangal Fertilisers and Chemicals, Indian Viscose Corporation, Hindustan Vehicals, Dalmia Iron and Steel, Sahaya Properties and Investment, Atic Industries and Sahu Glass Companies. As against new company registrations, 846 companies are reported to have gone into liquidation, their paid-up capital aggregating Rs. 10.69 lakhs.

THE JAIPUR UDYOG LIMITED

NOTICE is hereby given that the Annual General Meeting of the Company will be held at the Registered Office of the Company at Sawai Madhopur on Wednesday, the 24th October, 1956 at 4-30 P.M. to receive and adopt the Directors' Report and the Audited Statement of Accounts for the year ended 31st March, 1956, to declare dividends @ 3 per cent on Preference Shares and 12½ on Ordinary Shares, to elect a Director in place of the retiring one and to appoint Auditors for the current year and to fix their remuneration.

The Share Transfer Books of the Company will remain closed from 28th September, 1956 to 24th October, 1956 (both days inclusive).

By Order of the Board,

M. L. RATHI,

Secretary.

Sawai Madhopur,

August 20, 1956.

NOTE: A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

COMPANY AFFAIRS

SONE VALLEY PORTLAND CEMENT CO., LTD.

During the year 1955, the Company produced 1,95,000 tons of cement. The despatch for the year was 374 tons more than the production. The sale proceeds, less selling agents' commission, amounted to Rs. 1,24,61,202. The manufacturing expenses of cement were Rs. 1,04,02,446. After charging all expenses and making provision for depreciation (Rs. 3.66 lakhs), taxation (Rs. 2.35 lakhs), and bonus to staff and labour for the year under review, the balance amounts to Rs. 5,53,487. Out of this, Rs. 1,50,000 have been kept apart as reserve. Together with Rs. 88,454 brought forward, the amount available for distribution totals Rs. 4,91,941. The Directors have recommended a dividend of 6 per cent per annum, for the year, free of tax, which absorbs Rs. 4,50,000, leaving Rs. 41,941 to be carried forward.

Renovation of plant and machinery was carried out and the erection of Kiln No. 4, being standby for the old Kiln No. 1 still in production, was completed; the trial runs are reported satisfactory. Coal raisings from the Company's Hutar Colliery were 53,932 tons and despatches including consumption by their works totalled 47,096 tons. The cost of raising was kept under control, in spite of difficult mining operations, so that the Hutar coal cost compared favourably with outside coal landed at the works.

In pursuance of the Government decision to control and canalise all cement sales through the State Trading Corporation, the all-India selling price for foreign and indigenous cement has been fixed at Rs. 102-8 per ton f.o.r. destination, with varying retention prices to producers. The retention price for this Company's production has been notified as Rs. 50-4 per ton exclusive of excise duty and cost of packing which is the same return f.o.r. works as was existing.

THE MYSORE SPINNING AND MANUFACTURING CO., LTD.

The Company's operations during the year ended February, 1956, show good results. The net profit after allowing for ad-interim dividends, depreciation and reserve for the year at Rs. 3,33,825, has registered a sharp increase of Rs. 1.44 lakhs over Rs. 1,89,482 for the previous year. Sales during the year under review totalled Rs. 1.63 crores which is nearly Rs. 28 lakhs more than the previous year, and stocks have decreased by a little under Rs. 20 lakhs. In view of the higher profits, increased appropriation has been made for depreciation on buildings and machinery and Rs. 18,483 have been allotted to Reserve Fund which had received no allocation in the previous year. The ad-interim dividends on 49,870 ordinary shares at Rs. 3 per share and on 14,901—4½ per cent cumulative preference shares at Rs. 1-2 per share absorbed Rs. 1,49,010 and Rs. 16,764 respectively. The Directors have proposed a final dividend of Rs. 3 per ordinary share and a bonus of equivalent amount for the year (making Rs. 9 for the year per ordinary share of Rs. 50 or 18 per cent per annum) which absorbs Rs. 2,98,020. On the cumulative preference shares a final dividend of Rs. 1-2 absorbs another Rs. 16,764. There remains a balance of Rs. 19,041 which is to be carried forward.

The Directors have decided not to deduct income-tax on the final dividend on the cumulative preference shares as it is estimated that the Company will have no assessable profits for the year in view of the depreciation allowance and development rebate admissible

under the Indian Income-Tax Act. As regards the ad-interim dividend, the disposal of the already deducted income-tax therefrom is being considered.

Trading condition in the cloth trade were more satisfactory than in the previous year. The same is not true in regard to the demand and prices realised for yarn which were poor. There was, however, some improvement with the turn of the year.

THE FORT WILLIAM JUTE CO., LTD.

The net result of the working of the Company for the half-year ended March, 1956, is a profit of Rs. 4,35,579 after providing Rs. 1,60,143 for depreciation and Rs. 40,000 for taxation. Adding to the profit Rs. 1,16,743 being amount brought forward, it totals Rs. 5,52,322. Out of this, an amount of Rs. 2.25 lakhs has been transferred to General Reserve Account. A dividend of Rs. 3-8 on cumulative preference shares, for the half-year under review, takes away Rs. 35,000. On ordinary shares of Rs. 10 each, a dividend of 12 annas per share for the half-year (or 15 per cent per annum) absorbs Rs. 1,57,500, leaving Rs. 1,34,822 to be carried forward.

Heavy rains causing damage to crops, coupled with increase in the demand for raw jute following unsealing of looms, resulted in the prices of raw material remaining at a proportionately higher level. As a consequence, a fair margin of profit in finished goods was not possible. Overseas purchases also showed a declining trend as it was expected by buyers that prices of manufactured goods would come down with the increase in production. The sales of gunny amounted to Rs. 98,28,203 and those of jute to Rs. 72,504. The corresponding purchases were Rs. 37,361 for gunny and Rs. 82,30,201 for jute.

THE BRITANNIA BISCUIT CO., LTD.

The accounts of the Company for the year ended March, 1956, show that the total sales amounted to nearly Rs. 1.34 crores, which shows an appreciable increase over the previous year's figure of about Rs. 1.29 crores. In spite of the additional sales, however, the net profit shows a marginal decline of Rs. 30,000 when compared to the previous year. This has been attributed to increased tax charges and operating costs. After providing Rs. 5.09 lakhs for depreciation and reserving for income-tax and super-tax Rs. 4.52 lakhs, the profit amounts to Rs. 8.14 lakhs, which together with Rs. 1.99 lakhs brought forward, totals Rs. 10.13 lakhs. Out of this, Rs. 2 lakhs have been transferred to reserve for tax contingencies; Rs. 1.67 lakhs to general reserve and Rs. 5,594 to reserve for provident fund, etc. An amount of Rs. 1.39 lakhs has been paid as a half-yearly dividend on preference shares and an interim dividend of 3 per cent on ordinary shares leaving a balance of Rs. 5.02 lakhs. The Directors have proposed dividends which absorb Rs. 618 for preference shares and Rs. 3.22 lakhs for ordinary shares' final dividend at 7 per cent (making 10 per cent for the year). The balance of Rs. 1.79 lakhs is to be carried forward.

The taxation for the year's profits has nearly doubled as compared to the previous year, and represents 35.70 per cent of the profits. This heavy incidence is due to the cessation of depreciation allowances on the initial phase of the Company's building and expansion programme. In order to expand production, the Company has started to instal modern types of manufacturing and packaging machinery.

COMMODITY NEWS AND NOTES

EXPORT TRADE IN VEGETABLE OILS

Export trade in vegetable oils has, of late, shrunk substantially as may be seen from the quantity shipped during the first half of this month. Total shipment of oil from Bombay has amounted to only 773 tons, comprising 594 tons of castor oil, 102 tons of Kardi oil, 67 tons of cottonseed oil and 10 tons of linseed oil. The export trade in linseed oil has been almost completely absent, as prices in overseas markets have been unremunerative. The export duty of Rs. 250 per ton has also adversely affected business. The declining shipments of other oils have been largely due to the subdued buying interest in importing countries. Exports of various oilcakes have also been small during this period, with the total estimated at 1,739 tons. Cottonseed oilcake has constituted the biggest single item of exports at 700 tons, while shipments of niger cake have amounted to 647 tons. Exports of groundnut oilcake and meal have been placed at 392 tons.

SUGAR PRODUCTION AND STOCKS

According to the Indian Sugar Mills Association, the sugar production in India during the month of July, 1956, was 8,127 tons bringing the total production during the current season ending July to 18,57,015 tons against 15,83,000 tons during the corresponding period last season. By the third week of July, all the factories had stopped crushing for the season 1955-56. The off-take of sugar from factories during the month of July was about 1,75,000 tons against 1,24,000 tons during the corresponding period last year. The total off-take of indigenous sugar during the current season ending July was about 12,70,000 tons against 8,33,000 tons of the previous season. The closing stock of indigenous sugar on 31st July, 1956, was 9,91,000 tons against 7,88,000 tons during the corresponding period last season.

RESEARCH SCHEMES FOR CASHEWNUTS

A research scheme for the improvement of cashew-nut crop is already under operation in Travancore-Cochin with 50 per cent financial help from the Indian Council of Agriculture Research. A development scheme for stepping up the production of cashewnut has also been invited from the State Government. Schemes for the improvement of cashewnut crop through agronomical, botanical and horticultural investigations, had been sanctioned in Madras, Travancore-Cochin and Andhra States. A suitable technique for the vegetative propagation of cashew had been evolved whereby it was now possible to produce high-yielding plants from selected trees of outstanding merit.

INCREASE IN EXPORT OF COIR YARN AND FIBRE

There was an increase of about Rs. 63 lakhs in the value of exports of coir fibre and yarn during 1955-56 as compared with the previous year. The total exports of coir fibre and yarn in 1955-56 were 54,800 tons, valued at Rs. 5.78 crores as against 54,000 tons in 1954-55, valued at Rs. 5.15 crores. But exports of coir mats, matings, showed a slight decline. The exports of these articles were 20,000 tons in 1955-56, valued at Rs. 5.22 crores as compared with 21,150 tons in 1954-55, valued at Rs. 3.24 crores. For pushing up exports of coir manufactures, the Coir Board sent representative exhibits of coir and coir products to the Food

and Agricultural Exhibition in Colombo, the Indian Trade Exhibition in Gold Coast and the Leipsiz Fair besides participating in the Indian Industries Fair in Delhi. Exhibits have also been sent for display in India's commercial show-rooms at Bangkok and Port Louis. For promoting sales and consumption of coir and coir products within India, the Board has decided to open show-rooms and sales-depots in important cities in the country. As a first step, a show-room and a sales-depot have been set up in New Delhi.

INCREASED PRODUCTION OF MINERALS IN INDIA

The production of minerals in India increased to the value of Rs. 87.3 crores in 1955 from Rs. 83.4 crores in the previous year. It was 18 per cent higher as compared to 1951 figure. The average daily employment in mines also increased to 590,745 in 1955 from 568,254 in 1954. The increase was 8 per cent higher than in 1951. The statistics, which have been released by the Chief Inspector of Mines in India, show that the production of iron ore reached a new peak of 4.64 million tons in 1955 valued at Rs. 3.24 crores. It was 10 per cent higher than in 1954 and 27 per cent higher than in 1951. Employment in the industry increased by 11 per cent from 30,772 in 1954 to 34,218 in 1955.

FOODGRAIN IMPORTS

Nearly 80,000 tons of wheat have arrived at Indian ports this month from Australia and the U.S.A. Four ships — two from Australia and other two from the USA — carrying about 28,000 tons are berthed at Calcutta, Visakhapatnam and Bombay. This quantity was in addition to 51,800 tons from America and Australia which had arrived earlier in the month. Imports of rice from Burma, which began to arrive last month, have amounted so far to about 25,245 tons, the latest arrivals being s.s. 'San Rolando' with 7,530 tons in Madras on August 11, and s.s. 'Bharat Deepak' with 3,627 tons at Calcutta on August 14. By the end of August, further arrivals of foodgrains, including rice, are expected to amount to 1,28,000 tons. The schedule for the first three weeks of September is about 1,25,000 tons.

ALL-INDIA FIRST ESTIMATE OF MESTA, 1956-57

The All-India First Estimate of Mesta, 1956-57 puts the current year's area at 121,000 acres as against the corresponding estimate of 125,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows a decline of 4,000 acres or 3.2 per cent in area during the current year as compared to last year. Decline in acreage during the current year has been reported by Bihar only and has been attributed to favourable climatic conditions at the time of sowing. The decline in acreage in Bihar has, however, been offset to some extent by increases reported by Andhra, Orissa and Bombay. This estimate covers the period generally up to the end of June or beginning of July, 1956. Till then, the condition of the crop was reported to be generally satisfactory. The estimate does not cover the entire area sown to mesta crop during 1956-57. Some late varieties of this crop are also grown in other States such as Madhya Pradesh, Punjab, West Bengal, Hyderabad, Madhya Bharat. Data in respect of these States will be included in final estimate.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	381.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55	..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56	..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
January 1956	..	333.4*	451.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	..	335.3	461.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April	..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May	..	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June	..	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July	..	380.2	492.2	395.2	385.5	560.3	409.2	91.2	100.5	85.3	125.2
Week Ending											
23-6-1956	..	374.6*	480.6	395.6*	377.9	522.5*	401.7*	91.3	100.5	85.3	125.5
30-6-1956	..	374.0	481.8*	395.5	377.0	545.4	402.2*	91.2	100.5	85.3	124.8
7-7-1956	..	374.9*	490.9	395.1	385.1	560.8	407.7*	91.2	100.5	85.5	124.7
14-7-1956	..	377.3*	487.8	393.4	385.4	557.7	406.8*	91.2	100.5	85.5	124.7
21-7-1956	..	382.3*	493.2*	394.9	386.0	560.8	409.9*	91.1	100.4	85.2	125.7
28-7-1956	..	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.7
4-8-1956	..	391.5	493.2	400.4	385.7	563.7	413.8	91.0	100.3	85.2	126.3
11-8-1956	..	397.7	497.4	405.0	387.2	567.0	417.9	90.9	100.3	85.4	127.0

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100				Nagpur	Jubbulpur†				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	108	—	—	—
1943	288	303	243	132	339	471	372	146	309	168	136
1949	292	307	248	132	348	478	377	151	323	164	138
1950	298	313	257	132	349	434	372	153	325	165	145
1951	314	330	261	142	370	451	391	168	334	167	160
1952	321	337	250	143	351	441	380	150	330	151	154
1953	346	363	275	140	349	453	387	151	351	147	156
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	218	130	323	371	364	133	321	134	138
1955 September	317	333	224	133	327	373	367	133	323	138	137
October	315	331	225	134	334	385	369	134	323	139	139
November	314	330	229	136	339	392	369	138	327	144	141
December	316	332	230	140	329	393	375	143	334	148	141
January	318	334	226	139	319	404	378	146	334	147	138
February	321	337	224	137	315	394	385	142	333	146	138
March	334	350	230	139	325	398	387	145	340	148	143
1956 April	342	358	239	140	338	409	397	—	354	—	143
May	341	357	236	141	342	408	397	—	356	—	143
June	342	358	240	141	350	419	—	—	365	—	146
July	—	—	—	—	—	436	—	—	369	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	17-8-1956			10-8-1956			3-8-1956			28-7-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola	105-5	103-10	104-7	104-0	103-0	103-9	104-7	102-3	103-9	102-12	101-11	102-1
Silver (per 100 fine tolas)	173-10	171-14	172-10	173-10	170-10	171-15	172-4	170-5	171-4	172-10	171-0	171-42

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	847.04	887.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	824.70	864.72	58.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	825.27	865.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	688.91	56.47	102.25	428.61	1,219.17
1955-56*	1,339.39	17.08	1,356.47	40.02	856.52	896.54	51.35	106.88	553.20	1,356.47
Average of Fridays										
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	574.69	1,400.73
February "	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	603.24	1,411.56
March "	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
April "	1,509.33	15.96	1,525.29	40.02	682.69	722.71	47.38	106.38	696.21	1,525.29
May "	1,516.70	13.36	1,530.06	40.02	681.45	721.47	47.16	104.89	703.91	1,530.06
June "	1,496.50	22.32	1,518.82	40.02	682.53	702.55	46.26	105.59	710.68	1,518.82
July "	1,465.35	21.91	1,487.26	40.02	624.16	664.18	44.51	109.49	718.59	1,487.26
Week Ending										
20-7-1956	1,460.01	25.20	1,485.21	40.02	616.68	656.70	44.22	109.96	718.56	1,485.21
27-7-1956	1,444.28	32.99	1,477.27	40.02	616.68	656.70	44.45	111.96	708.62	1,477.27
3-8-1956	1,447.15	30.29	1,477.43	40.02	616.68	656.70	44.45	112.12	708.62	1,477.43
10-8-1956	1,451.78	25.95	1,477.73	40.02	616.68	656.70	44.44	112.42	708.62	1,477.73
17-8-1956	1,445.44	23.65	1,469.09	40.02	606.68	646.70	44.02	113.77	708.62	1,469.09

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	..	..	..	..
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.95	47.24	2.62	406.95	1.72	2	6.36	90
1948-49*	222.17	6.62	80.53	56.52	365.22	15.33	419.05	22.12	4.28	307.78	1.57	3.34	75.65	4.85
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	980.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.39	15.65	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	126.40	7.79	52.69	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.53
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.06	1.73	36.99	49.36	15.61
Average of Fridays														
January 1956	53.56	12.51	59.90	17.49	142.53	41.28	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February "	61.12	13.65	56.38	15.85	147.00	49.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March "	57.51	37.22	49.25	16.93	159.51	48.99	220.30	11.26	9.23	65.31	1.60	73.88	39.44	17.33
April "	56.21	30.15	52.14	17.16	155.66	48.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
May "	61.44	10.27	50.36	13.04	135.11	53.24	198.35	13.48	9.79	35.69	2.36	81.42	37.02	18.61
June "	56.43	8.33	51.92	12.97	129.65	57.81	187.46	22.42	8.94	31.55	3.94	73.96	37.75	18.89
July "	66.46	8.06	52.39	12.23	139.15	57.84	196.96	27.03	5.24	43.55	4.02	63.43	45.80	7.93
Week Ending														
13-7-1956	52.03	6.94	52.65	12.19	123.81	57.76	181.57	29.50	5.86	41.63	3.32	55.49	37.31	8.46
20-7-1956	53.42	13.69	53.01	11.89	132.01	58.11	190.12	25.34	3.98	47.96	4.64	71.68	59.10	7.40
27-7-1956	76.16	6.84	53.35	12.22	148.56	58.02	206.58	33.15	3.46	42.75	5.16	65.54	49.39	7.31
3-8-1956	61.05	5.46	47.90	12.22	127.02	58.66	185.68	30.38	2.41	36.79	5.04	55.37	49.41	6.27
10-8-1956	54.04	9.38	51.04	11.88	126.35	59.32	185.67	26.04	98	32.02	7.08	63.85	49.41	6.28
17-8-1956	53.72	5.58	53.44	11.92	124.66	29.16	185.84	23.81	2.33	34.39	7.30	60.79	50.12	7.09

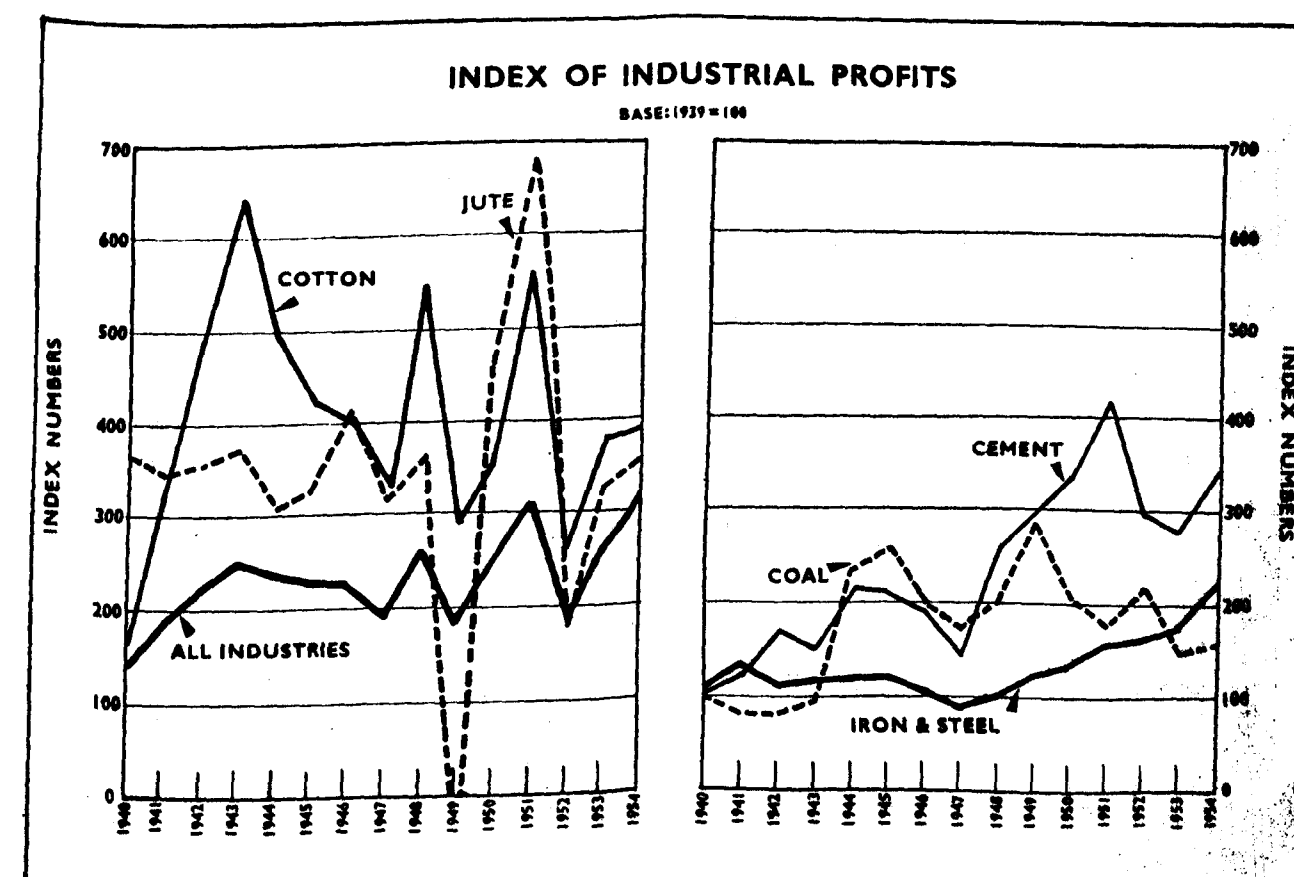
Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

INDEX NUMBERS OF INDUSTRIAL PROFITS

(Base: 1939=100)

Year	Jute	Cotton	Iron and Steel	Tea	Sugar	Paper	Coal	Cement	All Industries
1940	359.1	142.5	103.8	99.1	100.3	236.3	100.8	102.8	138.0
1941	344.4	316.6	133.7	146.8	137.8	284.7	82.6	128.8	187.0
1942	351.1	491.3	110.1	228.1	128.7	321.7	80.5	169.1	221.8
1943	376.3	640.0	111.8	142.3	157.8	352.8	95.6	147.9	245.0
1944	310.6	492.1	117.8	110.5	133.5	271.5	237.0	214.4	238.9
1945	327.6	423.3	120.2	150.7	108.9	279.5	258.3	211.6	233.6
1946	415.4	408.9	101.3	193.3	122.4	266.4	193.5	194.1	229.2
1947	313.2	317.7	86.1	216.3	171.5	167.6	171.8	142.5	191.6
1948	361.2	548.1	96.3	127.9	381.3	257.0	201.0	252.6	259.9
1949	—89.3	292.0	116.0	138.4	216.4	316.7	287.2	295.0	181.5
1950	456.9	356.6	134.2	271.2	262.4	479.0	209.2	333.4	246.6
1951	679.1	551.1	157.7	103.9	420.8	604.1	178.4	419.7	310.5
1952	183.4	262.8	162.6	—88.8	409.1	566.8	220.4	293.4	190.6
1953 (p)	326.2	379.4	179.4	391.4	419.8	512.7	145.5	279.0	261.2
1954	356.4	387.2	222.9	712.3	334.9	666.1	153.0	341.4	314.2

Source: Ministry of Finance

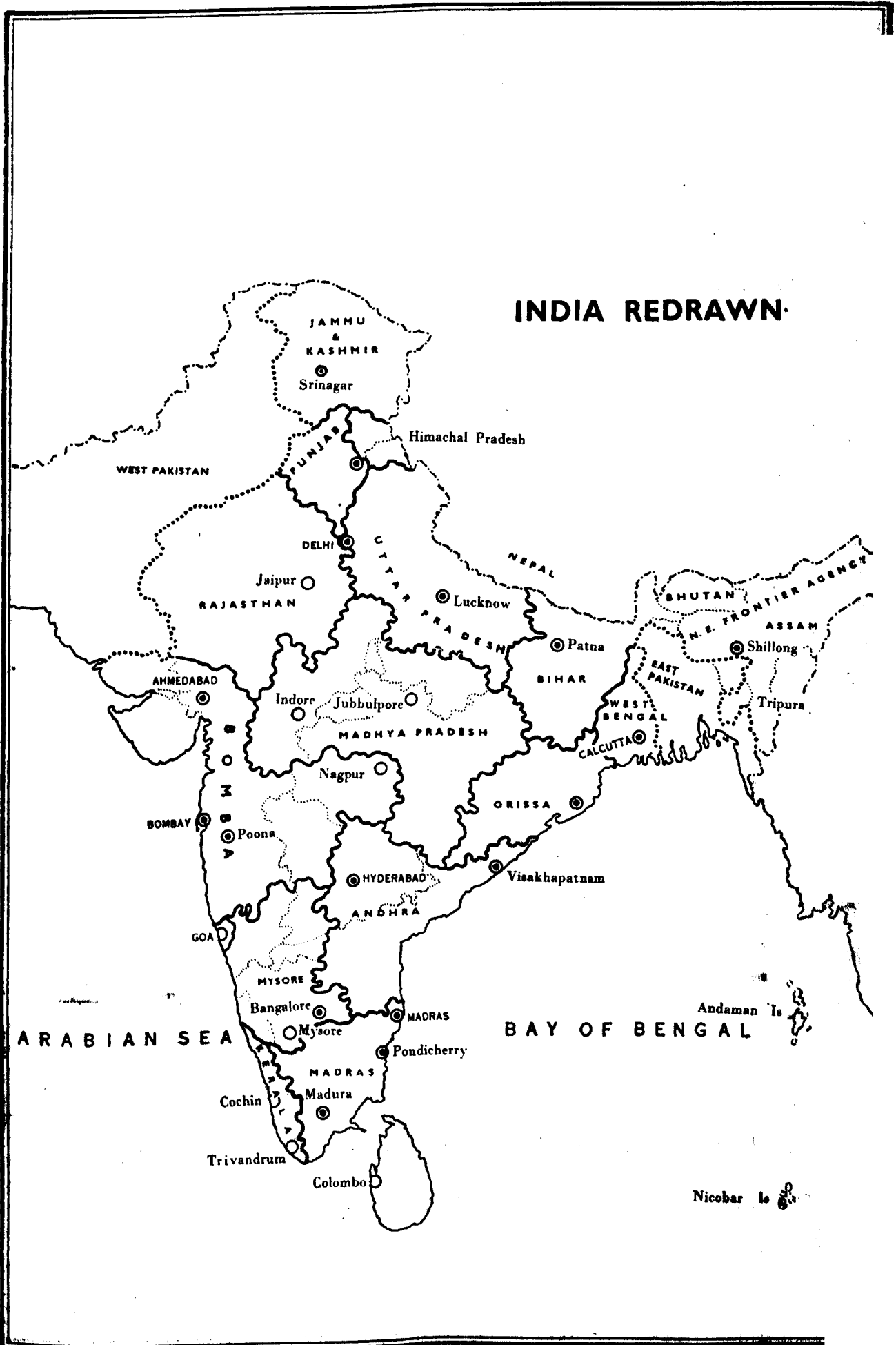
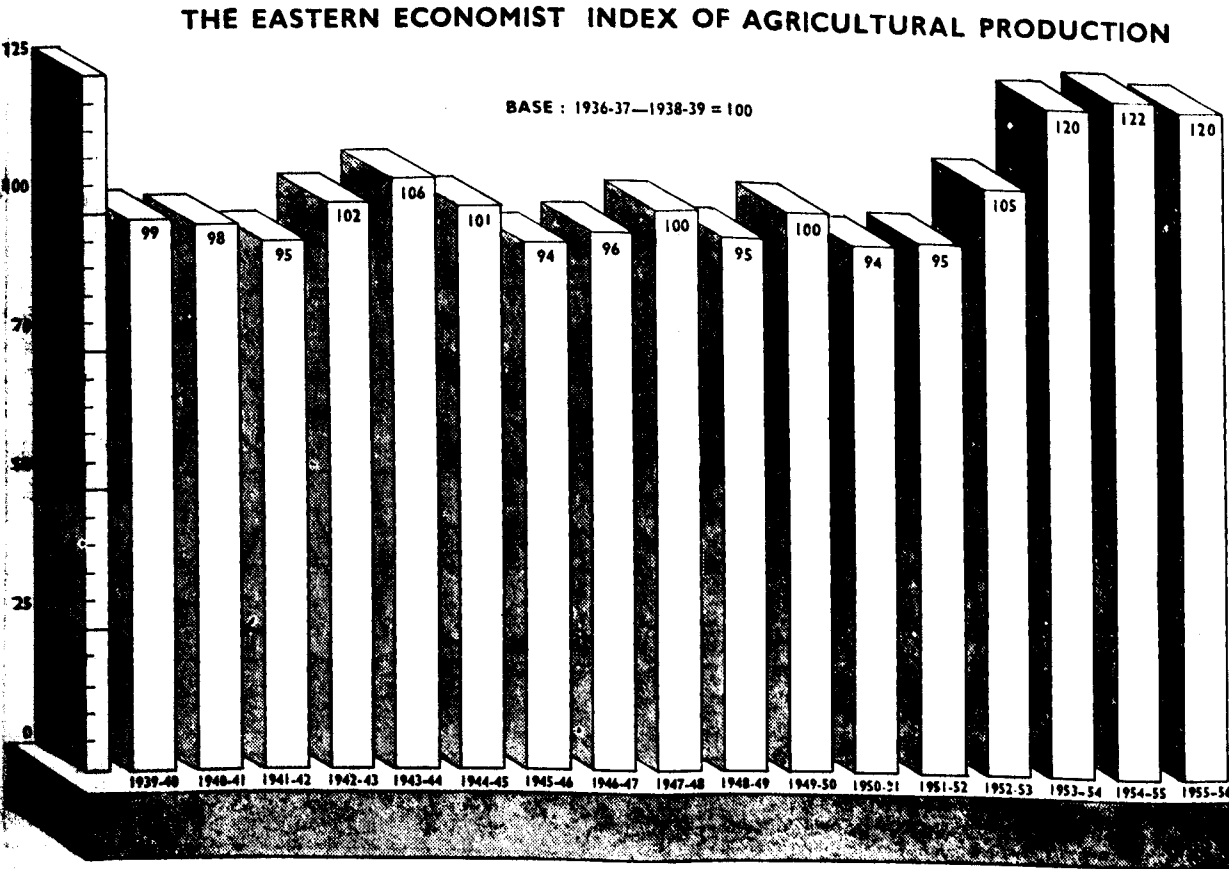


THE EASTERN ECONOMIST
INDEX OF
INDIAN AGRICULTURAL PRODUCTION

(Base : Average for 1936-37 to 1938-39=100)

	1941- 42	1942- 43	1943- 44	1944- 45	1945- 46	1946- 47	(*) 1947- 48	(*) 1948- 49	(*) 1949- 50	(*) 1950- 51	(*) 1951- 52	(*) 1952- 53	(*) 1953- 54	(*) 1954- 55	(P) 1955- 56
Food Grains ..	93	103	107	104	95	96	102	96	99	91	91	104	122	121	119
Rice ..	92	99	109	102	96	104	102	98	101	88	90	98	118	107	111
Wheat ..	91	99	90	97	84	67	77	77	86	87	82	101	106	120	114
Millets ..	99	112	111	114	99	99	108	89	99	93	96	111	136	142	123
Gram ..	86	111	122	103	100	115	143	145	117	115	105	133	146	161	170
Fibres ..	105	78	87	55	56	53	58	53	78	85	100	98	105	112	108
Cotton ..	109	76	89	54	52	51	54	46	65	72	77	77	97	106	91
Jute ..	82	87	77	62	78	66	83	99	154	164	235	229	156	146	207
Oilseeds ..	94	98	104	107	97	100	104	95	106	103	104	100	111	127	121
Sesamum ..	95	106	102	88	88	81	88	84	108	113	110	113	132	147	114
Groundnut ..	82	91	125	122	110	114	109	92	107	109	97	92	114	131	121
Rape & Mustard ..	113	102	93	111	96	107	109	99	107	101	122	112	112	130	139
Linseed ..	81	92	86	89	83	77	101	99	97	85	73	83	83	91	94
Miscellaneous	112	117	116	112	124	112	121	121	126	127	126	127	130	141	141
Sugarcane ..	83	100	114	106	102	110	131	109	111	126	136	113	104	125	114
Tobacco ..	103	86	75	93	97	79	69	75	78	76	61	71	75	73	74
Tea ..	119	113	135	121	136	147	152	158	158	158	164	162	164	174	180
Coffee ..	112	102	108	108	159	96	99	139	128	116	130	142	184	156	200
General Index	95	102	106	101	94	96	100	95	100	94	95	105	120	122	120

(*) Revised.



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Full particulars can be obtained at any of the offices of the Reserve Bank of India or branches of the State Bank of India or at any treasury or sub-treasury in the State of Bombay.

The

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ONE RUPEE

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China vs India: The Thapar Report

THE report by Mr. P. N. Thapar, Secretary of the Ministry of Food and Agriculture, on Agricultural Organisation and Planning in China has the virtue that in the smallest possible compass it makes a striking contrast between Indian and Chinese agricultural progress. The report is just sixteen foolscap pages loosely typed. It is appropriately limited in scope and expresses views which are "very tentative and purely personal". It is clear, however, that one of our foremost observers on agricultural problems has been greatly impressed by what he has seen and heard. And, indeed — not that this is specifically stated — the implication is that China is doing considerably

better than India in the agricultural field. This is a depressing conclusion. It is necessary, therefore, to examine the factual basis on which Mr. Thapar's comparisons rest.

In the first place, the suggestion is that China is planning in more spacious terms. The evidence on which this is based is the 12-year programme in which China plans to increase the yield of paddy per acre from 2,640 lbs. in 1955 to 5,280 lbs. in 1967 in South China; from 1,370 lbs. in 1955 to 3,300 lbs. in 1967 in Central China and from 990 lbs. in 1955 to 2,640 lbs. in Northern China. Spacious targets are also proposed for other important food grains. On these targets Mr. Thapar observes that the increase in production "has not been worked out in detail". And, again, "the planning is not done so carefully as in India". In India we have scientifically worked out yardsticks for each type of assistance given to agriculture and it is on the basis of these yardsticks that the targets are fixed. In China, the procedure is simply to take the yield per acre of the best farms in a particular district or area and then fix the target for the district or area by multiplying this yield with the total number of acres. While this procedure obviously means precious little, it would appear that as a distant goal it has not been treated as impossible by India's visiting delegation. One of the reasons for this credulity on Chinese targets is the extraordinary capacity the Chinese have to enforce hard work, particularly in areas where the Party considers this essential. In China it may be that hard work is capable of overcoming what in India we would call technological obstacles. To say this, however, is merely to say that the targets in the 12-year programme are not impossible. To say that they are likely to be achieved is merely to assume dogmatically all China's difficulties away.

Secondly, when Mr. Thapar compares State investment in China's first Five-Year Plan with our own expenditure in the first Five-Year Plan he sets their State expenditure over five years as Rs. 1,680 crores against Rs. 758 crores in India's first Five-Year Plan, suggesting that these figures are comparable. This comparison contains a glaring error if it is designed to compare total investment in agriculture. (There is no point in comparing anything else.) There is no reason to suppose that Indian agricultural investment is predominantly State investment. It is extremely likely that State investment under all these heads is considerably less than a third of current agricultural investment; so, indeed, it must be where practically the whole of the agricultural sector is in private hands. It is more than likely that the corresponding figure in China is more than two-thirds 'State,' against less than a third 'private'. If Mr. Thapar's figures are corrected for private investment, and then adjusted over India's area, both irrigated and otherwise, the greater fixed investment in China per acre disappears. It may well be that on working capital the Chinese peasant really has, as Mr. Thapar suggests, credit on a much larger scale and "he can get loans without difficulty or delay". The emphasis is on the words "difficulty and delay". There is a true lesson here. There is no indication that Indian credit agencies or the Reserve Bank of India are equal to their responsibilities in this matter; they are weighed down by excessive paper work.

On another major difference noted, namely, that Chinese peasants benefit from "guaranteed

prices for agricultural products and guaranteed marketing", Mr. Thapar's recommendation for imitation is probably based on fears of a price fall such as that occurred in late 1954 and early in 1955. There is, in point of fact, a price floor in India as in China, and, while the Government of India has not been precise on its assurance of the volume of the market, these assurances are intrinsic in the size of India's Plan and the volume of deficit financing which it implies. Does Mr. Thapar really think that the Plan provides no guarantee of any kind that the demand for agricultural products will stay at a reasonable figure? The boot would appear to be very much on the other foot.

Finally, in dealing with co-operative societies on which it might be said that Mr. Thapar's recommendations "on collective farms of the labour corps variety" are lukewarm, one does not quite see the exact contribution to be obtained from the starting of co-operative societies "as experiments on the scale, say, two for each National Development Block." We have our Community Projects and our National Extension Services. If co-operation "of the labour corps variety" has not by itself been responsible for a substantial part of the increase in production in China, as Mr. Thapar thinks, why are his recommendations in this matter so positive? Similar objections seem to apply to the recommendation on the opening of more agricultural schools and colleges. With our extension services, surely agricultural knowledge is being carried into the field. Is it Mr. Thapar's recommendation that our field workers have not the necessary agricultural training. Many of them have been to agricultural colleges. The mere multiplication of ineffective courses of instruction will not remedy this situation. Surely the answer lies in making ineffective schools more effective, not in multiplying their number.

Thus it comes about that this stimulating report leaves one with as many questions as answers. It is undoubtedly true that Chinese agriculture, like Chinese industry, has received a vigorous shot-in-the-arm by the application of a rigid, in part ruthless, discipline in the organisation of important schemes. It is certainly true that the Chinese are putting into their agriculture greater effort and much higher discipline than do Indian agriculturists. One mark of both their effort and discipline is their devotion to the use of night soil in its new condition which, as Mr. Thapar observes, will be resisted in this country for "social reasons". China is making progress but is not Mr. Thapar not underrating the Indian achievement apparently without "discipline". It is to be remembered that Indian yields have never been as high as those of China, but, unlike India, China has not passed her pre-war productivity per acre and, in important respects, lags behind in total agricultural production. Her plans for the future are more spacious than our own, but are still largely theoretical. An *Eastern Economist* pamphlet "India and China" by Dr. Wilfred Malenbaum shows that China's progress in fact may not have been ahead of our own. Perhaps it should have been with so much discipline and night soil thrown into the account. Or, perhaps, it may not be that the free way of life has some productive virtues of its own. Who knows?

The Incidence of the Cloth Excise

HOW will the new cloth excise bear on textile profits and on the consumer? Mr. T. T. Krishnamachari in his able speech before the Lok Sabha last Monday explained the necessity of this powerful fiscal measure which, he claimed, was the only means both to reduce profits and restrict demand. He might have added that it was the only means by which a large new block of revenue could be obtained since it may well be that over the next 4½ years receipts from this additional excise alone will amount to well over Rs. 100 crores. It may even be that the limit for excise fixed in the Bill, which is significantly larger than those now in force, will be fully applied before the end of the second Five-Year Plan.

The reasons for the readiness to apply, and to accept, this heavy additional taxation spring from the Plan and its consequences. The Plan makes the need of revenue imperative, and the expenditure in the Plan has transformed the character of current cloth demand. In the first seven months of this year per capita consumption has reached the 17-yard mark and looks like rising well beyond it, unless rationing by the purse is instituted. This is the first defence for a rise in the price charged to the consumer. At the same time there is no doubt that textile profits have tended to rise, and have probably already risen, with the marked increase in consumption. Seeing that Government policy makes part of these textile profits because of the limitation on new licences there is justification for Government to share more than it does in other industries where limitations of this kind are not applied. The excise duty now introduced is designed to meet both purposes, though it is difficult to say in what proportion. Both purposes, are valid, and provided a duty is not excessively employed, its effects may, in current circumstances, be very salutary.

It is important to estimate, in order to assess the burden of the additional excise, the extent to which it will be financed by profits of the textile industry and by the ultimate consumer. The theoretical distribution of a tax on an item of demand, in which supply for the short period is inelastic, is one dependent on what the economists describe as the 'price elasticity' of demand. There have been times in recent years in India when this elasticity for cloth was unity, meaning that consumers as a whole tended to spend the same quantity on cloth irrespective of small price changes. This, however, was largely connected with the stationary real national income between 1948 and 1951. There is ground for the view that with rise in incomes the demand for cloth has become more inelastic, meaning that the pressure of incomes is being thrown more heavily into cloth than into some major items of consumption. A rough calculation suggests that the figure for the price elasticity of demand might be between .3 and .9 which would suggest in terms of the theory on the structure of demand found in text-books that in the first instance it may be that a considerable portion of the tax will fall upon the producer.

Assuming, as is not unlikely, that in the first instance 80 per cent of the incidence of the new additional excise falls on textile profits, there will certainly be a substantial reduction of profits in the cotton textile industry in the current year. The Reserve Bank of India has computed in its April 1956 Bulletin that profits before tax for 144 mills included in its survey of companies' balance sheets was Rs. 52.58 crores in the four years from 1950 to 1953. It may be that total textile profits are of the order of Rs. 30 to 35 crores. It is extremely unlikely in view of this figure that 80 per cent of the incidence of a new additional excise, computed at about Rs. 30 crores in a full year, could stay with the producers. This would imply that the profits of the textile industry would be reduced drastically to the point of elimination, though to the extent that the Government of India receives its revenue from income tax and corporation tax, it would be in fact putting up half this amount. Nevertheless, there seems justification for the view that the textile industry of itself will not take more than Rs. 15 crores or half the new additional duty and will attempt very soon to pass a substantial amount of the new duty on to the consumer. This, of course, is also in the interest of the Government of India since on the portion borne by the consumer there will be no loss of revenue.

The final distribution between the industrialists and the consumer will depend on the kind of equilibrium which the Government of India is proposing to foster. As indicated above its interest lies in pushing the tax further forward. On the other hand because of the socialistic pattern of society and the imperatives of a General Election there will naturally be hesitation to raise the price of cloth unduly, at least until the elections are over. The chances are that an equilibrium will be established, with textile profits bearing half the immediate incidence of the tax with the other half passed on to the consumer. The significance of such a distribution is that Rs. 15 crores will be paid by the textile industry initially but Rs. 7.5 crores of this will be in effect loss of revenue to Government. In other words, an anomalous position arises that the Government of India will pay a fourth of its own excise, another fourth will be paid by managements and shareholders of textile concerns, while the other half is passed on to the consumer.

If all consumers together are required to bear an additional annual burden of Rs. 15 crores, this implies that their expenditure both on cloth and other items will be correspondingly reduced. If, for the sake of simplicity, we assume that the demand for other items will be unaffected, one might say that the per capita demand for cloth will be reduced by 2.6 per cent as a result of a rise in price of 3.75 per cent, the total outlay being the same at about Rs 400 crores. If the rise in price and reduction in volume were limited to these small dimensions, there should be little cause for concern. It is likely that both figures will be exceeded in practice.

Applied Economic Research

THE founding of the National Council of Applied Economic Research with assistance from the Ford Foundation and full order books from the Government of India is an event which should attract more attention than it has already done. This is not because the new Council of Applied Economic Research is equipped already for dramatic solutions of India's large economic problems in the second and subsequent Five-Year Plans, but because it is a firm step in the right direction. Too often in the last few years there have been hurried attempts to arrive at large decisions on the pattern of the growth of the Indian economy with inadequate data. Over the last five years, it might be said that while intuition — for this was in large part the instrument — has made some bad mistakes, for example, on the foreign exchange gap in the first Five-Year Plan, it has not fallen down so heavily as ill-equipped knowledge often does. In the second Five-Year Plan, however, the risks are too great to be run. It is obvious that the time has come for a scientific analysis of numerous problems which, for the most part, have been left to sketchy official research agencies and to personal intuition of those in high places.

The National Council of Applied Economic Research, which is designed in part to fill this need, starts under excellent auspices. It will have the full co-operation of the Stanford Research Institute, California, whose achievements in the last six years have marked it out as the best collaborator that we could possibly have in this new field. The first Director-General of the Council is Dr. P. S. Lokanathan, who carries in addition to his theoretical scholarship the great advantage of a long period of direction of ECAFE's work, first in Shanghai and then in Bangkok. The credentials of the new institution are thus very good. This does not make its task substantially easier because the substance of the work will depend far more on the average quality of the staff than on its topmost direction.

The emphasis on research here is on the long period. While all the planned field investigations, analytical enquiries and statistical methods, commendable as they are, may contribute to the success of a Plan in the short run, the long-term direction of democratic planning of an underdeveloped economy subjected to the strains, stresses and pressures of rapid industrialisation will claim greater attention at the hands of non-governmental research organisations devoted to objective and independent investigations which may well be critical of Government policy. The problem of how to induce surpluses out of the agricultural sector for rapid industrialisation of a backward peasant economy like ours without depriving the peasant of his native freedom and without satisfying his newly-awakened hunger for consumer goods is just one such. This and many others

open out a broad vista of opportunities for research into some of the most challenging problems facing Indian democracy perhaps in contrast to high-pressure Chinese totalitarian performance.

The Council in carrying on applied economic research will assist the industrialisation of the country in three ways. It will promote research on industrial problems at its own initiative. Secondly, it will help Government in gathering facts, discovering the best methods and proposing solutions to specific problems in the management of Government-operated industrial undertakings. And, thirdly, it will aid private firms in the development of suitable personnel policies, in better marketing, in the introduction of new products and processes, and so on. Besides these, the Council will act as a sort of unofficial co-ordinating agency by maintaining close links with the several research institutions functioning in India in related fields and co-operate with them to the maximum extent.

The Council has taken on hand immediately four projects of considerable topical significance. They are: Small-scale industry problems, problems of energy, marketing and marketing techniques at home and abroad for products of new industries (including small industries), and study of taxation laws in India and in the capital exporting countries affecting foreign investments in India. The task before it is colossal, and the initial difficulties it has to overcome are undoubtedly great, because of the lack of requisite personnel of suitable calibre. The work demands exceptional qualities of imagination, drive and knowledge and the selection of staff will, of course, prove of immense difficulty. But it has the advantage of the guidance and leadership of its energetic Director and also the co-operation of the Stanford Institute which has agreed to temporary loan of personnel for specific projects if it is needed. The Institute has also agreed to accept a number of staff members of the Council as interneers and trainees.

The Council of Applied Economic Research is thus firmly set on a course which will not merely assist our second Five-Year Plan in the private and the public sectors, but will analyse the long-period background against which will be set the canvas for future Plans. Some of its most important work, such, for example, as the study of Energy Demand over the next twenty-five years may bring little immediate fruit. But it is not the least of the advantages of the National Council that it can afford to think for tomorrow and the day after whilst all other research institutions seem all-too-heavily engrossed in the difficulties of today.



The harvest comes home...as planned

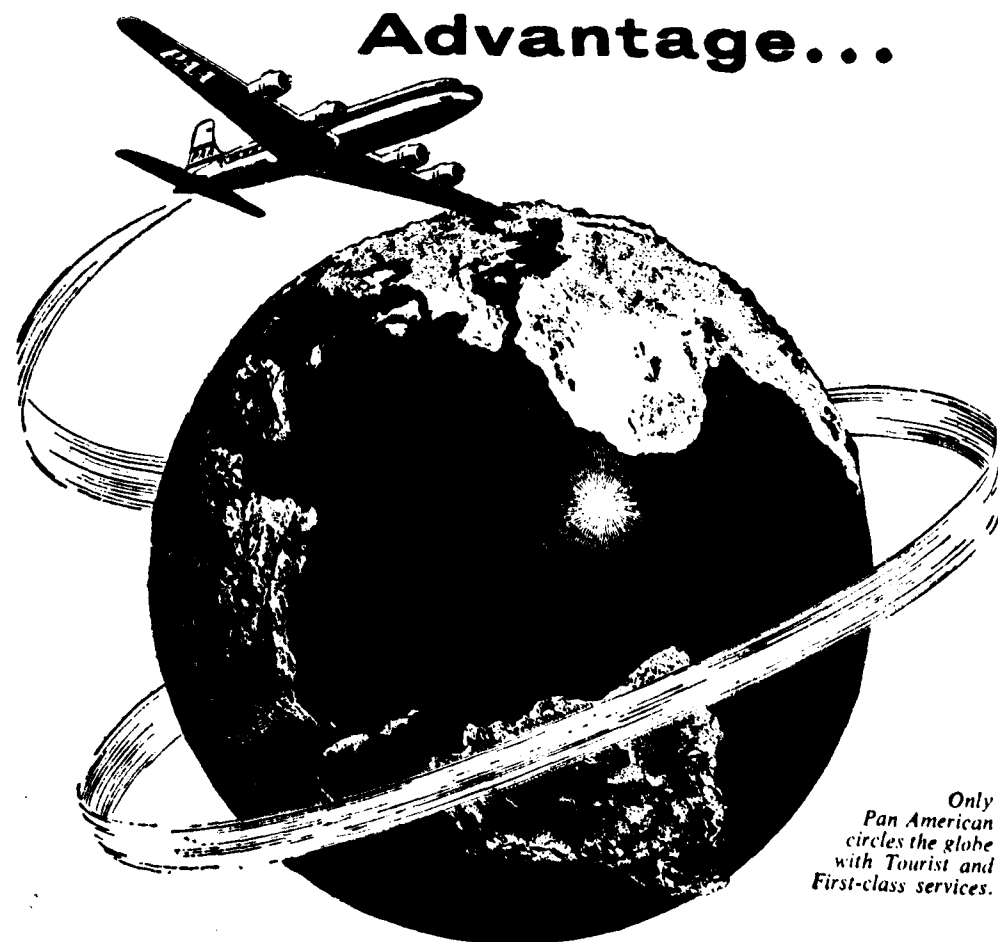
The harvest has indeed come home... for the First Five Year Plan's increase in agricultural production was estimated at 7.6 million, whereas the actual increase was about 11 million tons. These figures are a tribute to the achievement of Indian farmers. The Second Five Year Plan aims to diversify and increase further agricultural production. And once again, the success of the Plan will depend upon the capacity of India's farms to feed her growing population.

Our distribution of fuel oils and lubricants to the remotest agricultural areas, helps India's farmers to do this vital job. Shell petroleum chemicals such as aldrin, dieldrin and endrin help to protect vital crops and so increase the effective

yield per acre. 1,631 Burmah-Shell up-country storage depots and godowns, with a total capacity of 4,26,00,000 gallons, ensure that vital petroleum products can be made available wherever and whenever they are required.

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THE WEEK'S NOTES

STUDY OF ENGLISH

THE LINGUISTIC fanaticism engendered in the wake of the reorganisation of States and the consequent ugly incidents that tarnished the fair name of this country have perhaps caused the national leadership to take a cautious view on the language question. It is otherwise difficult to explain the reversal of trend regarding the study of English. Addressing the State Education Ministers' Conference, Prime Minister Nehru expressed his anxiety for the maintenance of standards in technical training for the implementation of the development schemes and declared bluntly that "any scientist worth the name has to be conversant with a number of foreign languages in all countries, particularly English". The Maulana Azad went a step further and ascribed the deterioration of standards of students in the matriculation examination to the 'hasty' replacement of English as a medium of instruction.

In the face of these pronouncements, there is little wonder that the conference has recommended compulsory teaching of English at the University stage. Far more striking is its recommendation that the teaching of English should be compulsory at the secondary and the senior basic stages. The stress on study of English is, of course, governed by the need for imparting scientific knowledge which is not possible to do in any adequate measure except through that language at present. Mr. Nehru is probably also keen on soft-pedalling on the issue of Hindi. This is borne out by his significant statement: "The question is, if you push out English, does Hindi take its place? I hope it will. But I wish to avoid the danger of one unifying factor being pushed out without another taking its place. In that event, there will be a gap, a hiatus". Does the Prime Minister's statement imply that the Government of India are having an open mind on the language question?

ORISSA GOVERNOR ON D.V.C.

MR. P. S. KUMARASWAMI RAJA, Governor of Orissa, has unfortunately permitted himself of some inaccurate observations on the Damodar Valley Corporation. He has based his criticism of the D.V.C. dam construction on the engineering experience of the South. While the Lower Bhavani Project in Madras was constructed at a cost of Rs. 10 crores under the supervision of a single Executive Engineer, twice that sum was required for a similar work in the Damodar Valley with its hierarchy of Executive Engineers and Superintending Engineers. The Orissa Governor has also recalled with pride the traditional Tamil practice of building stone masonry dams at a cheap cost.

Mr. P. P. Varma, Chairman of the Damodar Valley Corporation has joined issue with the Orissa Governor, pointing out that masonry has been the traditional type of construction in the South on account of its abundant stone deposits of suitable grades. Continues Mr. Varma: "Apparently Mr. Raja has the Maithon dam of the D.V.C. in mind. But he forgets that the Bhavanisagar was built mostly by contractors and over quite a long period. At Maithon the work was done departmentally by using up-to-date mechanical equipment in order to complete the work in as short a period as possible. Naturally the strength of the senior technical staff had to be much more than at Bhavanisagar. I am sure that if a comparative study of different dams under the D.V.C. and other similar projects is

made, showing their costs, completion periods and conditions of work, the D.V.C. dams will not compare unfavourably with the other dams".

It is obvious that Mr. Kumaraswami Raja was not aware of the technical aspects of dam construction under dissimilar conditions. Although the larger part of the Lower Bhavani dam involved earthen work which was done by tens of thousands of labourers, the use of machinery was not entirely dispensed with. If the Maithon dam involved cement concrete work, there should have been sound technical advice for such a type of construction. The Chairman of the D.V.C. has given a fitting reply to the Orissa Governor (and former Chief Minister of Madras) who was rather superficial in his remarks.

INDO-BRITISH COLLABORATION

INDO-BRITISH relations, although occasionally subject to ephemeral political strains, are in the economic sphere on a better footing. British investment in India is still over 80 per cent of all foreign investments in the country and exceeds £300 million. Technical and financial collaboration between the industrialists of India and Britain at present extends to about 150 ventures. It covers the fields of motor-car production, tractors, cycles, radios, cables, diesel engines, sugar, jute and textile machinery, electrical machinery, chemicals, dyestuffs and a whole range of miscellaneous items ranging from thread to telephones, from pens to pneumatic tubes, from gramophone needles to cigarettes and electric railway coaches and from glass to oil refineries. The collaboration is not confined to the private sector alone. Only recently a contract between the Government and the Associated Electrical Industries was signed for the installation of a heavy electrical plant. The most important agreement of this type is for the construction of the Durgapur steel works to be undertaken by the Indian Steel Works Construction Company, a combine of leading British engineering firms. Other collaboration agreements which come to mind concern the lignite project in Madras State, the Chittaranjan Locomotive Factory and the Shidri Fertilizer factory.

A promising field is expected to open after the British heavy engineering mission, three members of which are already in India, has reported on possible development of India's heavy industries. The mission has been sponsored under the joint auspices of the Federation of British Industries and the Colombo Plan. It will advise on further extension of heavy-machinery manufacturing capacity during the period of the second Five-Year Plan. The Mission is under the capable leadership of Sir Eric Coates who advised India on the setting up of the new steel works at Durgapur last year. As Sir Eric Coates is well acquainted with Indian conditions, it is hoped that there will be an expeditious understanding of the issues involved. British industries seem to be in a position to offer quick assistance. It is up to us to take quick advantage of British readiness to help.

A RECURRING LOSS

A COMPREHENSIVE assessment of the damage caused by floods in different parts of the country can be made only after the flood season is over. Nevertheless, official figures now available up to the third week of July show that the country has suffered extensive loss over the past few months in life as well as property. The extent of the damage can be gauged by the fact

that during the current year about 9,000 square miles were flooded, affecting nearly 23 lakh people and resulting in the death of 91 persons and in partial or complete damage to about 12,000 houses. The monetary value of the various categories of damage is estimated at close on Rs. 4.28 crores. Some of the peculiar features of this year's floods are the simultaneous occurrence of drought and floods in some areas, notably in U.P. and Bihar. In June, ahead of the normal time of the monsoon, rainfall was excessive. In July, the changed meteorological factors led to an acute drought in some parts of U.P. and later in Bihar. A second feature was their appearance in areas generally immune from heavy flooding, like Rajasthan, Travancore-Cochin, Madras, Bombay, etc. Yet another feature was the damage caused by the Ganga itself, while in the previous two years the Ganga basin suffered due mainly to the overflowing by its tributaries. The areas accustomed to flood devastation namely, North Bihar, Assam, etc., were affected relatively less.

Looking back over the last six years, the floods have caused damage, apart from human and animal lives killed, estimated at Rs. 237 crores. During this period, the Central and State Governments have spent about Rs. 46 crores on relief work alone. More than the direct damage, there are greater indirect losses such as the loss in the railway revenue, colossal loss of productive man-hours, etc., which cannot be assessed in terms of money. The significance of this devastation will be apparent when it is realised that, if there were no floods, the national income of the country would go up by something like Rs. 100 crores. However, floods are not a phenomenon peculiar to this country only, and complete immunity from their damage is difficult to achieve. In the United States, where over Rs. 2000 crores have been spent on flood control measures over the last 28 years, catastrophic floods appeared even last year, and they propose to spend another Rs. 3,000 crores on similar projects in the future. The figures bring into bold relief the immensity of the problem. With her limited resources all that India can hope for in the foreseeable future is to control the fury of the floods and minimise human misery as far as possible.

NAYA PAISA AND POSTAL RATES

THE LOK SABHA has just passed the Indian Post Office (Amendment) Bill, laying down postal charges in terms of the Naya Paisa. In fixing the rates the principle has been kept in view that there should be an approximate equivalence between the new rates and the existing rates. The Bill seeks to give effect to the new rates by amending the first schedule of the Indian Post Office Act, 1898. In the case of letters not exceeding one tola, for instance, there would be an increase of 4 per cent. Inland letter cards would rise by 6.6 per cent and registered envelopes by 15 per cent. The rate for letters weighing more than a tola would decrease by 4 per cent. So far as registered newspapers are concerned the rates would be two naye paise for weight not exceeding ten tolas; for weight exceeding ten tolas and not exceeding 20 tolas—three naye paise; for every 20 tolas, or fraction thereof, exceeding 20 tolas—three naye paise. In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet, for weight not exceeding ten tolas—3 naye paise; for every additional five tolas, or fraction thereof in excess of ten tolas—two naye paise; provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognized agent at the post office.

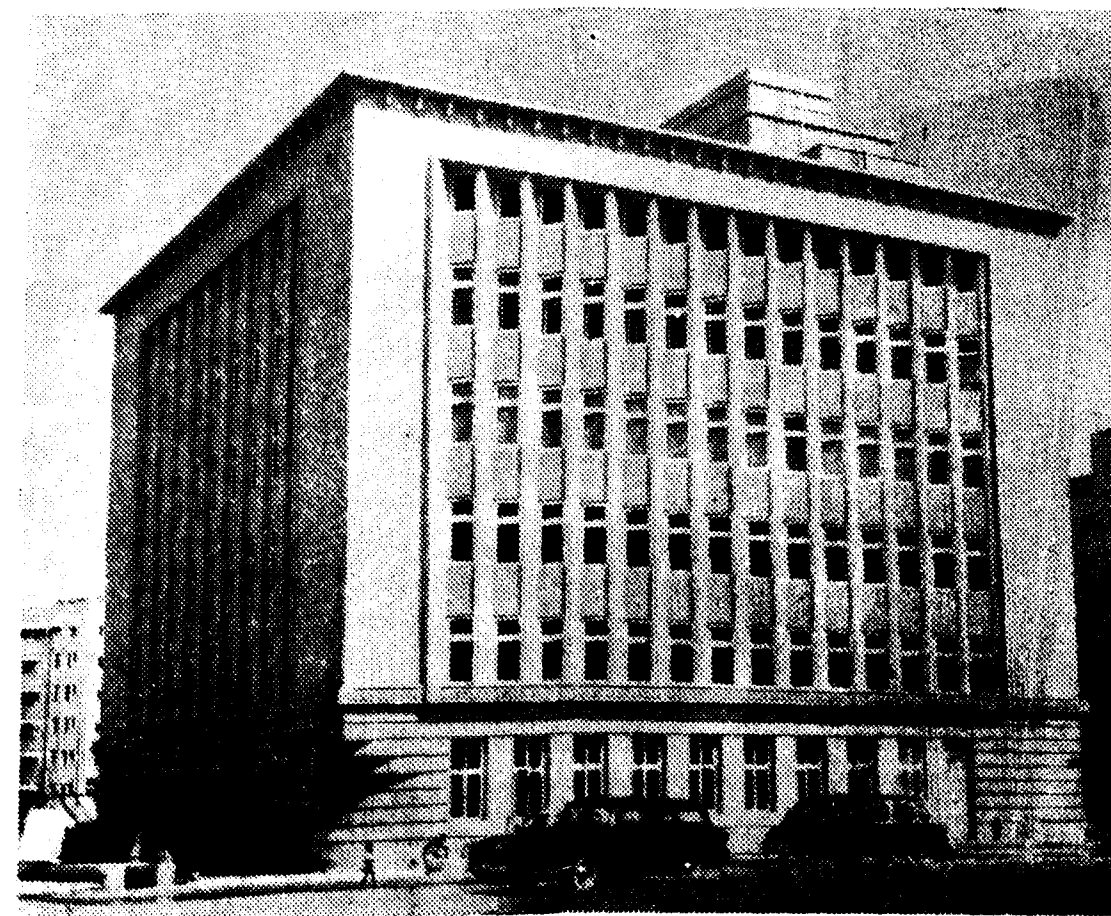
The rates for registered newspapers are such that they may adversely hit the small and medium news-

papers. This is also the view of the Indian Languages Newspapers' Association. Since the present one pice would be nearly equal to one and a half naya paisa, the Bill prescribing postal rates in naya paisa should have provided that a registered newspaper would be charged for a weight not exceeding ten tolas one and a half naye paise. Such a rate would have meant a slight concession to newspapers, if any, publishing more than 16 standard demi-size pages. But the authorities seem to have a different reasoning altogether not easily intelligible in enforcing new rates. What is proposed to be done is to increase the burden on newspapers by 33 per cent in the next slabs. It needs to be pointed out that a 16 demi-size pages copy of a paper printed on a standard newsprint weighs a little more than nine tolas. So the increase in postal rates for newspapers which would operate on the introduction of naya paisa, while adversely affecting all daily newspapers would hit small papers still harder. Since the profit margin of smaller newspapers is very meagre, it would be but fair to amend the naya paisa rates suitably. The Languages Newspapers' Association has certainly advanced a cogent plea for not adding to the costs of small newspapers which are always struggling for their existence.

NUCLEAR TESTS

IN THE last few days the Soviet Union has detonated three nuclear bombs. More tests are expected for perfecting bigger and, what are euphemistically called, 'better' weapons of mass destruction. The vast bulk of humanity is getting weary of the stock explanation given after such tests that they are necessary to ensure security in view of the other side's progress in producing similar weapons. It may not be wholly erroneous to infer that a saturation point has probably been reached when what man has produced and stockpiled in the form of nuclear and thermonuclear weapons may be sufficient to wipe out the best part of the inhabited world. The race for further 'improvement' of such weapons is, therefore, only a race for achieving greater magnitude of destruction, and efficiency and rapidity in annihilating the opponent before he can strike. Obviously, these weapons are not meant to be employed in defence nor can they guarantee absolute immunity from possible attack. At best they have been termed as deterrents to armed conflict. But because their possession by either side generates a grave sense of fear in both, which can often lead to a crisis, even this limited usefulness may be doubted.

Many unsuccessful attempts have been made to reach agreement for banning the production and testing of these deadly weapons. The Parliaments of a few countries, including paradoxically that of the Soviet Union, have expressed themselves against the tests. Whereas the concern expressed by the Parliaments of Japan and Indonesia, two of the countries affected by the fall-out of radio-active particles, was genuine, the Russian expression was clearly propagandistic. The propaganda has not been entirely ineffective, having been accompanied by some moves of demobilisation of however doubtful validity. It has even been tempting to suggest that appeals should be directed to the Soviets to give a lead by banning the tests unilaterally. However, as matters stand today, nobody would be more effective in putting an end to the tests than the common peoples of the producing countries themselves. With the widening range of the radio-active fall-outs they can hardly escape the horrible effects on the present and future generations. It would be in their own interests to lead other countries in organising moral pressure against the nuclear tests. The banning of further production and the destruction of the already produced bombs can be pursued only then.



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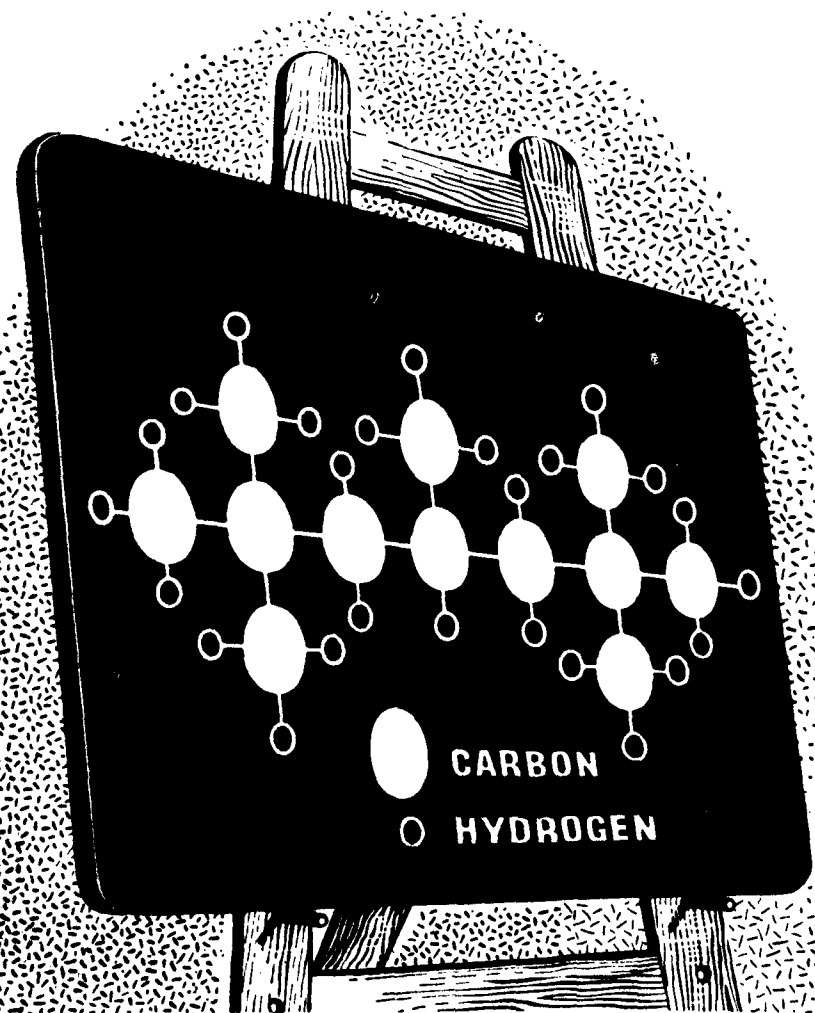
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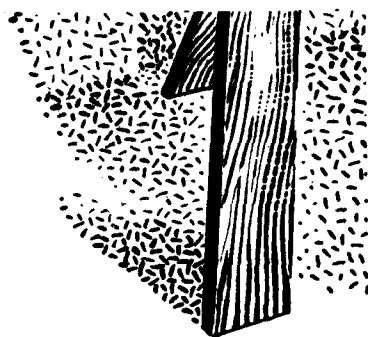
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A Window on the World

DISCIPLINE: BAD AND GOOD

By

ODYSSEUS

LEADERS IN INDUSTRY, the professions, education, government service, and the armed forces, of all countries, are anxious to secure the maximum efficiency in their subordinates. In this context efficiency and discipline are synonymous terms. Without discipline in factory, office, class, department, or battalion, there can be no efficiency.

It is a reflection on the widespread lack of understanding of modern methods of securing efficiency that the average man associates discipline with punishment and fear. "Discipline" conjures up visions of fines and penalties in civil life, and fatigues and all the acts of petty tyranny in which apoplectic sergeant-majors revel in military life.

But the word "discipline" does not mean "to punish". It means "to teach," that is, the object of all discipline is to adapt those disciplined to the kind of lives that they will be called upon to lead, to teach them how to solve the particular problems that they will have to face.

The first point on which modern psychologists insist is (as A. N. Whitehead says in his "Aims of Education") that "the natural mode by which living organisms are excited towards suitable self-development is enjoyment. The infant is lured to adapt itself to its environment by its love of its mother and its nurse; we eat because we like a good dinner; we subdue the forces of nature because we have been lured to discovery by an insatiable curiosity; we enjoy exercise; and we enjoy the unchristian passion of hating our dangerous enemies. Undoubtedly pain is one subordinate means of arousing an organism to action but it only supervenes on the failure of pleasure. Joy is the normal healthy spur for 'elan vital'...we should seek to arrange the development of character along a path of natural activity, in itself pleasurable...."

It follows that the infliction of punishments reveals the failure of the leaders rather than of the led. As long as your personal relations with your pupils, employees, subordinates, or private soldiers, are happy, they are straining at the leash to give you full co-operation. They are going ahead, pulling you along after them. But the moment that your personal relations are unpleasant, burdensome, or antagonistic, it is you who are straining at the leash, dragging them along at a speed set by the slowest and least willing. A brow-beaten man will give you just so much co-operation or output as is enough to keep him out of trouble, and he will use his imagination not in your service but to dodge all the work that he can. The classic example is the traditional old soldier who knows all that there is to know about avoiding "fatigue" duties and "passing the buck" on to less experienced comrades.

REBELLION

Even less is the co-operation and efficiency that you can extract from a frightened man, since fear canalises his imagination within narrow limits, or may paralyse it altogether. On the other hand, the man who is happy and unafraid under your leadership is seeking

to give all that he has and his imagination will be at work thinking up new solutions to his problems, and therefore to yours. He is on your side. Hectoring, shouting, bullying, and punishing arouse sullenness, antagonism, resistance, and the spirit of rebellion. The degree of efficiency in scholastic learning, industrial or professional output, or in warfare, that you can get out of men disciplined by fear is far below what you can hope from men disciplined by encouragement and appreciation.

All this throws a lurid light on the case of the US Marine Sergeant Mc Keon that we studied here last week. You remember that the sergeant considered that discipline in his platoon of 74 recruits was slack. He was enraged because his men "lounged" in their barracks on a Sunday morning, defied his orders not to take second helpings at meals, and went to sleep on the grass during a rest period allowed for smoking (and not for sleeping). In vicious retaliation for these "crimes" the sergeant made them spend all Sunday morning scrubbing out their barracks and took them for a march into swamps on a dark moonless night, with the result that six boys between the ages of 17 and 19 were drowned in a tidal river. Previously the sergeant had snarled at the boys that those who could swim would be eaten by sharks and those who could not would be drowned. On another occasion, he punished a recruit who showed himself, in the sergeant's opinion, to be too thirsty at the wrong moment by making him drink 19 bottles of lemonade. This may look very funny on paper, but it is extremely painful to perform and could indeed have lasting effects on the internal organs. The sergeant did all these and other things "to teach the boys discipline." I related the story in detail last week as a laboratory demonstration of the negation of true discipline—the apotheosis of pettyfogging tyranny.

At which point someone may object that military discipline must differ from the disciplines of school, factory, or office, because its objectives are wholly different. Are they? Let us see.

The objectives of discipline in education include punctuality, honesty, co-operation, conscientiousness, team work, individual initiative and responsibility, the cultivation of the powers of observation and reflection, the acquisition, according to the individual's gifts or inclinations, of special skills, such as mathematics, the law, carpentry, or engineering, and, more broadly, adaptation to the national environment—or fitting the boy for life.

The objectives of discipline in industry or commerce do not differ from the foregoing, except that more time is spent on the special skills. Discipline in industry aims at fitting men for production.

KILLING WITH ENTHUSIASM

Discipline in the armed forces aims at fitting men to kill. What are the special skills required of the soldier? He must be able to remain steady under the heaviest fire or the most trying physical conditions of heat or cold. He must have a highly developed team

spirit. He must, on the one hand, obey orders at once without argument and, on the other, be ready to display initiative if his seniors are killed or he is isolated.

Now, modern authorities agree that there is nothing in these special skills which requires them to be taught by fear of punishment. Toughening men up by marching them longer and longer distances, carrying heavier and heavier equipment, and by the rigours of "survival" training in the jungle, is legitimate and necessary. Given common-sensed and good-humoured leaders, men will carry out gruelling tasks with soldierly pride. But the tougher you want your men to be, the more essential is it to enlist their enthusiasm for, their interest and pride in, the tests which they can survive. To inflict such tests as punishments, in the manner of Sergeant Mc Keon, is stupid because it distorts, stunts, or kills, the very spirit that you wish to kindle.

People think that soldiers can only be disciplined by bullying because armies are traditionally the homes of the conservative-minded — which means officers too "disciplined" to think for themselves. One of the facts brought out by the mobile warfare of World War II was that the "well-disciplined" Guards private was less useful than the newly trained conscript out of whom the regular NCO's had not had time to knock the habit of thinking for himself. While in situations of emergency the Guards private sat stolidly in his jeep under the heaviest fire waiting for orders, the amateur soldier improvised solutions for the unexpected. Besides, oc-

asionally some exceptional regular soldier survives the stupid traditional training and adopts new methods. Nobody will deny Field Marshal Montgomery's success as a leader. One of the secrets of his success all the way from El Alamein to Berlin was the unconventional friendliness of his methods and the way in which he secured the enthusiastic co-operation of his men by taking whole battalions into his confidence before going into battle.

It is for these reasons that in this era in which small professional armies no longer fight the great wars that descend upon us but in which the youth of whole nations are conscripted and hurriedly trained, the "amateurs", by and large, make the best soldiers, while the small core of wooden professionals are, fortunately for us, lost in the multitude.

The utter unreasonableness, glaring injustices, and acts of sadism and tyranny, both petty and gross, of the sergeant Mc Keons (who are not to be blamed for the system which produced them) create psychological conflicts in those subjected to such treatment which render them less, and not more, reliable in the stress and strain of battle.

Next week, we will consider the actual application of modern methods of discipline to factories and offices, not overlooking the problems created by those individuals who seem only to respond to fear and who merely take advantage of kindly treatment.

INDIA'S CREDIT AFTER SUEZ

(From Our Special West European Correspondent)

PARIS, September 1.

DURING the summer, India's Joint Secretary in the Finance Ministry, Mr. B. K. Nehru, visited the West European money markets and made enquiries about the possibility of his Government raising loans here. I understand that the reception he got was encouraging, and that he has since reported back to Delhi that money might conveniently be borrowed on the Continent to help finance the second Five-Year Plan. It is the purpose of this despatch to show that, while that was undoubtedly true at the time of Mr. Nehru's visit, and while it may be true again a year from now, it definitely is not true at the present moment. If an attempt were made now, autumn 1956, to test India's financial credit on the Continent, I suggest it would be found to be very low indeed. The irony is that this is not India's fault, at least in that it has nothing to do with India's own financial and economic situation. It is a case of a good borrower getting a bad name because of the company he keeps.

The fact is that this summer European confidence in Asian creditworthiness has been severely shaken by a series of arbitrary and imprudent actions in several Islamic States. This loss of confidence has affected other Asian countries, notably India, who have not followed similar financial policies but who have seemed to give them sentimental endorsement and even active political support. The upshot is that no Asian country would have a chance today of raising money in European money markets. What inter-governmental finance might be available, for political reasons, is of course another matter; I am not dealing here with the cloak-and-dagger finance of the power blocs, but rather with the free raising of funds in open markets.

At the time of Mr. B. K. Nehru's tour, India's credit in West Europe was certainly very fair—in so far as anybody ever thought about it. Her publicity services here are poor, and newspaper reports have dealt mainly with riots over linguistic reorganisation. Not that these reports have damaged her credit, because most papers have underlined that administrative reorganisation is strengthening the country; Swiss papers have claimed that it is also streamlining the economy and simplifying the planning. There is a steady flow of articles on the Five-Year Plans in the weeklies and periodicals, and remember that on the Continent, unlike in India herself, the periodical press is a much powerful medium of the informed opinion than the daily newspapers. All these articles, from the Communists' to the bankers', have been generally favourable. The Prime Minister's tour produced an absolute flood of flattering comment, as it always does, although much of it is rather naive: Continentals marvel at Mr. Nehru's Western progressiveness without realising that in this he typifies millions of his countrymen. On the whole, then, if an attempt to raise moderate sums of money (moderate by European standards, though not necessarily by Indian standards) had been preceded by more active publicising of the Five-Year Plans, it would almost surely have succeeded, especially in Switzerland and West Germany.

Then came the seizure of the Suez Canal by Egypt, the repudiation of Dutch debts by Indonesia and the retrospective taxation of pipeline companies by Lebanon. It might be said that these three things had nothing to do with each other, but Continental opinion thinks otherwise — and this is another reason why it considers

Nasser a dangerous character quite apart from the rights and wrongs of the Suez nationalisation. Indonesia's action came soon after Cairo's grab and was believed to be stimulated by it. Note that the Dutch Foreign Minister, Mr. Luns, brought up this question in his speech at the London conference on Suez, so sure was he that the two issues were connected. Lebanon's dispute with the pipeline companies is of older date, but Beyrouth's attitude became distinctly firmer, not to say more unreasonable, after the Suez nationalisation. The principal grounds of dispute in this case — mulcting huge sums of money by retrospective legislation, and then declining to accept audited balance sheets as true indices of profits — are just the sort that most disturb private investors, i.e. banks and other institutions. In European financial circles the political issues involved in these three actions by Egypt, Indonesia and Lebanon were naturally less discussed than the obvious economic implications: whether or not such actions are right or wrong, they simply destroy the basis of international credit. No one argued with the famous American who said, "I'll rather be right than be President", and no one would argue with an Asian statesman who said, "We'd rather be violent than be prosperous". No one argues, but no one lends him money either.

Into an atmosphere that was already fatal to foreign investment there then fell a series of wild and blood-thirsty declamations from various Arab capitals, about dynamiting the Suez Canal, blowing up pipelines, destroying oil wells and generally seizing all Western investments indiscriminately if Egypt were subjected to force under any circumstances. These threats were of course widely publicised in Europe, and when further information was sought in Middle Eastern capitals, Arab Governments did not disavow them. Nationalists might reply that force against Egypt would have meant war, and in war private investments are always imperilled. The facts remain that threats to destroy foreign installations throughout a whole region of the world are a total innovation in international politics, and are no encouragement to private investment. The private investor in Europe is not individually responsible for his Government's actions, and the Swiss and German banks are even less responsible for the decisions of London and Paris. They might be excused for thinking they should not deposit their money in Asia to be used as a hostage in the next political row.

The reaction was not slow in appearing, and it was not confined to the financial papers. International investment, especially in newly independent nations in Asia and Africa, was a bad business, it was said. Europe's business was not to promote Asian economies, but to develop her own. Figures were produced to show how Holland had done much better by draining the Zuyderzee than by building dams in Sumatra. And why should France not devote to an atomic industry the money she proposes to waste in meeting the growing deficits of Morocco and Tunisia? Europe's hope lay not in partnership with Asia but in independence: the whole problem was to learn how to get along without Middle East oil, without the Canal, without Africa. The leading oil companies announced diversion of investments away from the East towards the Western hemisphere. The revulsion from the international co-operation, it must be emphasised, concerned not only the offending Islamic States, but all backward territories. In "Paris-Match" Raymond Cartier set out to prove that France can manage without Black Africa,

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but not vice versa; in the "Neue Zürcher Zeitung" it was argued that France would positively gain by leaving North Africa in the lurch, but for Morocco and Tunisia this would spell "economic catastrophe". As for the danger of Russia stepping in where the West left off, there was a general feeling that this was bluff, and anyhow if the Russians wanted to lose their money (as they surely would), then let them. Besides, Mr. Khrushchev has already claimed that all Western aid to India is "really indirect Russian aid" because it was motivated by fear of Russian encroachment; so why should Europe do Russia's business for her. And so on.

There has been a complete revulsion from the mood that obtained just after the Indian Prime Minister's visit, when Tibor Mende's book "Entretiens avec Nehru" had just set out with great force the case for European co-operation with India. Perhaps, when the dust settles, European statesmen will be as alive as before to the political desirability of supporting democratic Asia, but private investors, banks and industrial firms are naturally and inevitably affected by other considerations.

It will be asked why this change of mood should affect India at all. India has not expropriated anybody's property, and her record shows that she is quite unlikely to do so. But one cannot expect Europeans to distinguish between Indian and other Asian policies when New Delhi identifies India's progress with the "renaissance" of Asia in general, and when Nasser justifies his seizure by appealing to the Bandung conference. If some Asian leaders invoke the solidarity of the Bandung powers to warrant expropriations, repudiations and other violent if technically legal actions, then European investors do not stop to ask if some Asian countries think otherwise.

More serious was Mr. Krishna Menon's performance at the London conference. Mr. Menon, unlike Mr. Nehru, never gets a good press in Europe, but on this occasion it was positively disastrous. Continental newspapers called him "Nasser's mouthpiece" and India was represented as giving up all attempt at mediation and merely supporting Nasser's case outright. His

compromise plan was quite generally received as no compromise at all. He was shown as leading India to abandon her famous neutrality and to side with Russia, Egypt and Indonesia — the very countries whose record as borrowers is worst. I am not concerned with how just this account of Mr. Menon's activities was, but merely to report the fact that at London India was portrayed as siding with the expropriators and repudiators, to the damage of her own borrowing record.

Fortunately for India, though not perhaps for Mr. Menon, it was claimed that New Delhi perceived the dangers of this position and sought to extricate India from it when it was almost too late. Mr. Menon, it was implied, had misrepresented Mr. Nehru's views, and there were in most newspapers reports of Mr. Menon changing his tone after a telephone conversation with Delhi. One Paris business journal, "Entreprise," carried circumstantial reports of Mr. Nehru's "real views" about Suez: that he was opposed to pan-Islam, that he had been offended by Nasser at Brioni, that he had written "in his own hand" the comment: "The unilateral repudiation of international engagements is at once bad politics and bad business". True or not, these descriptions of India's discomfiture at least had the merit of suggesting that New Delhi had some care for the state of her international credit.

The Government of India has frequently been criticised for speaking with two or more voices. But here is a case where two voices would be useful, and where the holding of the Foreign Affairs and Finance portfolios by one man is a distinct disadvantage. India's Foreign Minister could expatiate on Delhi's general sympathy with resurgent nationalism, while her Finance Minister could clearly but discreetly suggest that her attitude to international agreements and investments was not that adopted in certain Islamic countries. The distinction is not too subtle to be capable of explanation by an effective publicity organisation. Some such clarification of India's stand will surely be necessary before India ventures into European money markets to seek financial support from potential lenders who are at the moment in no mood to invest in backward countries.

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WORLDGRAM

AGRICULTURE

Co-operative Farming: There are at present 1247 Co-operative-farms working in India in different states. The state-wise break-up of this total is: Bombay: 342; Punjab: 180; U.P.: 163; Assam 90; Rajasthan: 76; West Bengal: 75; PEPSU: 58; Madhya Bharat: 56; Vindhya Pradesh: 34 and 173 in the remaining States of Ajmer, Andhra, Bihar, Bhopal, Coorg, Delhi, Himachal Pradesh, Hyderabad, Jammu and Kashmir, Kutch, Madhya Pradesh, Manipur, Madras, Orissa, Saurashtra, Tripura and Travancore and Cochin.

Grow More Food Campaign: A total expenditure of Rs. 112.63 crores was incurred on Grow More Food Campaign during 1950-51 to 1955-56, and a total quantity of 52.28 lakh tons of additional food grains achieved through it. The figure of expenditure represents actual expenditure for the years 1950-51 to 1954-55 and expenditure sanctioned for payment to States for the year 1955-56. Figure of actual expenditure for 1955-56 is not completely available. The figure of additional production represents achievements for the year 1950-51 to 1954-55 and estimated target for the year 1955-56, as actuals for 1955-56 are not yet available. It is revealed that Rs. 1773.34 lakhs had been sanctioned to the State of Punjab from 1947-48 to 1955-56 by way of loans and grants for 'Grow More Food' schemes including the Tube-well Schemes, out of which Rs. 1209.77 lakhs was utilised by the State Government during the same period. An amount of Rs. 59.78 lakhs had already been sanctioned during the year 1956-57 and a further amount of Rs. 61.79 lakhs was likely to be sanctioned.

Atoms for Agriculture: It is reported use of atomic energy in agricultural research is at present being made mainly at the Indian Agricultural Research Institute, New Delhi. This work has been in progress for little over a year. A fully equipped Radiotracer laboratory has been established at the Institute and work is underway on a number of soil fertiliser problems of immediate practical importance to our agriculture. A number of useful results have been achieved already through this study. A quick method of soil analysis for phosphorous had also been evolved which would help in recommending to cultivators doses of phosphatic fertilisers to be applied to crops.

INDUSTRY

Working of Textile Mills: The Minister for Consumer Industries, Shri Nityanand Kanungo, stated in the Rajya Sabha recently that during June 1956, 170 composite mills were working three shifts, 98 mills two shifts and nine mills one shift. Of the spinning mills, 54 were working three shifts, 51 mills two shifts and 10 mills one shift. The Minister gave the following figures of looms and spindles worked in different shifts during June 1956:

Shifts	Looms	Spindles
3 shifts	51,106	4,967,813
2 shifts	171,434	10,168,910
1 shift	182,535	10,579,096

Oil Pressure Lamps and Stoves: Two draft Indian standard specifications for lantern type oil pressure lamps and oil pressure stoves, have been issued by the Indian Standards Institution for eliciting comments. The first draft covers design, construction, dimensions, material, performance and safety requirements for two

sizes of lantern type oil pressure lamps. The second covers dimensional, material and performance requirements for two types of stoves commonly known as No. 1 and No. 100. These drafts have been prepared by ISI's Oil Burning Domestic Appliances Sectional Committee. Comments on these drafts may be sent to the Indian Standards Institution, 19, University Road, Delhi-8 before October 31, 1956.

Standard for Chrome Belt Lace Leather: The Indian Standards Institution has issued an Indian standard specification for chrome belt lace leather. The Leather Sectional Committee of the Indian Standards Institution collected samples from all over the country and had them analysed at the Central Leather Research Institute, Madras, and Government Test House, Calcutta, with a view to arriving at the minimum requirements for such a leather. This standard is based mainly on the results of the analysis of indigenous products. This standard is now available for sale at the Indian Standards Institution, 19, University Road, Delhi-8, and its branch office at 40/40A, Cowasji Patel Street, Fort, Bombay.

TRADE

Foreign Trade of India by Land during July, 1956: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during July 1956, are as follows:

MERCHANDISE:

Exports	Rs. 48 lakhs
Exports to Eastern Pakistan	" 28 "
Exports to Western Pakistan	" 16 "
Exports to other countries	" 4 "

MERCHANDISE:

Re-exports	Negligible.
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MERCHANDISE:

Imports	Rs. 98 lakhs
Imports from Eastern Pakistan	" 74 "
Imports from Western Pakistan	" 17 "
Imports from other countries	" 7 "

TOTAL TRADE	Rs. 146 lakhs
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TRADE IN TREASURE	Negligible.
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BALANCE OF TRADE:

The total value of exports including re-exports fell short of imports by Rs. 50 lakhs.

FINANCE

Burma's Budget: The first surplus budget of the country since independence was presented in the Burmese Parliament recently. The overall surplus was placed at Rs. 14,29,000 with total revenue and capital receipts estimated at Rs. 1,25,74,75,000 and the current and capital expenditure at Rs. 1,25,62,46,000. Revised figures for last year's Budget showed a deficit of Rs. 9,68,20,000. It was announced that the Government proposed to extend the Income-Tax Act to cover agricultural income from rubber, tea and coffee cultivation. But as a measure for encouraging new plantations, the Government would provide for exemption from taxation of profits arising out of extension of

cultivation over suitable periods. Rates of customs duties applicable to certain commodities would be revised according to requirements but the greatest care would be exercised that price increases of essential commodities did not take place on that account. Excise duty on cigarettes would be brought down from Rs. 50 to Rs. 20 per thousand cigarettes but customs duty on imported manufactured tobacco would be doubled.

Indo-Pakistan Financial Issues: In written reply to a question by Sardar Iqbal Singh and Akarpuri, the Prime Minister, Shri Jawaharlal Nehru, laid on the Table of the House a list giving 21 major outstanding financial issues between India and Pakistan. These include: (1) Overall partition settlement between the two countries; (2) Settlement of pre-partition claims of Pakistan nationals for supplies and services rendered to the undivided Government of India; (3) Arrear payments pertaining to Plan period—claim by India of part of the amount received Pakistan from H.M.G.; (4) Overall financial settlement between the two Punjab; (5) Treatment of rupee balances held by the State Bank of Pakistan with the Reserve Bank of India; and (6) Transfer to Pakistan of divisible assets of the Issue Department of the Reserve Bank of India and connected adjustments. The other issues still outstanding between the two countries are: Claims of Provincial Governments and Local Bodies in Pakistan against the undivided Government of India; Payment by India to Pakistan for Unique Institutions; on account payment claimed by East Bengal from West Bengal against the amount due in accordance with the Partition Award; Payment of compensation for property requisitioned in East Bengal in War time; Pakistan's claim for payment of her share in the recoveries effected by India which are chargeable under Article 4 of the schedule to the Indian Independence (International Arrangements) Order, 1947; Claim by Pakistan for compensation due to alleged non-supply to Pakistan of her share of Defence Stores; Payment claimed by India of sale proceeds realised in Pakistan from disposal of surplus H.M.G. and American stores; Allocation of expenditure on the Joint Defence Council between India and Pakistan; Review of present arrangement for the realisation of arrears of income taxes due to either Government from displaced persons; Settlement of third party claims outstanding against undivided Bengal and Punjab; payment of pensions to displaced persons from East Bengal; Transfer to India of Hyderabad Government funds in Pakistan; Disposal of shares of the State Bank of Pakistan held by the Hyderabad State Bank; and Disposal of Hyderabad Government holdings of 3 per cent Sind Loan 1958.

Integration and Development Fund: An Integration and Development Fund has been instituted by the State Bank of India in terms of Section 36 of the State Bank of India Act whose provisions are in conformity with the recommendations of the All-India Rural Credit Survey Report. A sum of Rs. 24.75 lakhs, being the dividend for the half-year ended the 31st December, 1955, on the share-holding of the Reserve Bank up to 55 per cent of the total issued capital of the State Bank, has been credited by the State Bank to the Fund. The losses attributable to the branches established during the half-year ended the 31st December, 1955, have not yet been determined. No other losses or expenditure have been met from the Fund so far.

U.K.'s National Income: The Blue Book on National Income and Expenditure, 1956, prepared by the Central Statistical Office, which has just been published in London, gives detailed figures of the United Kingdom's national income for the years 1946 to 1955, and for 1938. Among the main points are that gross domestic production—or the country's total output of

goods and services—increased by one-third in volume between 1946 and 1955, and that about one-half of this increase has taken place since 1953. In 1955, there was an increase of 3½ per cent in this total. The gross national production is estimated in 1955 at £16,784 million. While incomes and output have been increasing, the UK has also been investing more. Between 1948 and 1955, fixed investment—that is, expenditure on new buildings, plant, machinery, and equipment—increased in volume by 50 per cent. Of this total, expenditure by manufacturing industry represented, in 1955, 26 per cent. Since 1945, gross fixed investment as a percentage of the gross national production has increased steadily, and in 1955 reached 17.1 per cent. Total net investment also has increased significantly since 1951; in 1955 it amounted to 10 per cent of the national income, compared with 5 per cent in 1938. Total net investment is described in the Blue Book as the sum of "net fixed investment", of investment in stocks, and of net investment abroad.

GENERAL

News G. E. Automatic Announcer: The General Electric Co., Ltd., (represented in by the General Electric Co. of India Private Ltd.) has developed a novel automatic announcing system which can reproduce, at the touch of a button, any one of 25 pre-recorded announcements or signals, which can then be relayed over a loudspeaker system. The messages are recorded side by side on a special loop of 3 in. wide magnetic tape, and the appropriate one selected by push-button when required. To make the system fully automatic, particular announcements such as shift changes, meal breaks or other messages can be triggered off by a master clock mechanism without the need for any human attendance. Also, of course, the push-buttons can be mounted remotely from the instrument so that announcements, emergency calls such as fire alarms, or whatever broadcast is desired can be initiated from other parts of the premises. The automatic announcer was originally developed by the GEC for British Railways (Eastern Region) and first installed at Stratford Station. In this installation the platform announcements for passengers are automatically initiated by the trains themselves, first as they approach the station and then again as they come to a standstill at the platform. Equipment of this type has now been adopted for general industrial use and may be applied in any situation where numbers of routine broadcasts have to be repeated fairly frequently.

Labour in Mineral Oil Industry in India: India's mineral oil industry employed 7,997 workers during 1955. Compared with 1952, the number increased by 2.7 per cent. The increase in the supervisory and clerical staff was, however, 19 per cent. As against two units engaged in the production of mineral oil in the pre-partition area, India has only one now — Assam Oil Company in Digboi. The average number of workers employed through contractors was 1,574 in 1955, as compared to 1,440 in 1952 and 1,926 in 1950. Woman labour was conspicuous by its absence under the contract system. Wages in the industry range between Rs. 5-8 per day with an annual increment of Annas 4 for a gang headman to Rs. 1-7 with an annual increment of Anna 1 for an unskilled labourer. The rates of dearness allowance admissible to the employees of the Company are: Rs. 50/- for daily rated workers drawing salary up to Rs. 49; Rs. 52-8 for workers drawing between 50 and Rs. 100, and thereafter in slab between Rs. 101 to Rs. 150 — 90 per cent of the basic salary. For the monthly rated workers, the rate of dearness allowance was Rs. 52-8 for salaries between Rs. 50 and Rs. 100; 90 per cent of basic salary between Rs. 101 to Rs. 150; 45 per cent of basic salary in slab between Rs. 151 and Rs. 200, and thereafter in slab 22½ per cent of basic salary over Rs. 200.

NEWS IN BRIEF

INDIAN

A scheme to set up an industrial estate at Jaipur has been approved by the Government of India. A loan of Rs. 4.75 lakhs and a grant of Rs. 5,000 have been sanctioned in the first instance to the Rajasthan Government.

It is reported a new workshop will be set up at Podanur in South India for the manufacture of signalling material. The workshop, which will cost about Rs. 26 lakhs, is expected to go into production in two years.

Industrial production in the country recorded a further substantial increase in May 1956 when the general index (base 1951=100) rose to the new peak of 150.3 from 136.7 in the previous month and 130.7 in March this year.

The raisings and despatches of coal during 1955 totalled 38,225,999 tons and 32,940,658 tons respectively.

The number of seed farms proposed to be opened in Bihar in 1956-57 is 75 of 25 acres each. A loan of Rs. 11,71,875 and a subsidy of Rs. 12,62,625 has been allotted to the Government of Bihar for this purpose.

The Government of India have decided to depute two officers to make a survey in the Andaman and Nicobar Islands to explore the possibility of coffee cultivation there.

The Hindustan Shipyard at Vishakhapatnam have prepared a scheme for setting up a training school at the shipyard for training skilled workers to meet the needs of the existing shipyard and also a part of the needs of the proposed second shipyard.

The Ministry of Commerce and Industry have approved two schemes for starting training institutes for footwear and leather manufacture at a cost of about Rs. 9 lakhs.

There is a proposal to establish six regional research stations in Assam, West Bengal, Bombay, Mysore, Madras and Travancore-Cochin during the second Five-Year Plan under the auspices of the Indian Central Arcanaut Committee.

During 1956, India produced 6,613,200 bottles (2 oz. each) of fountain pen ink.

Chemical and ceramic machinery of the value of Rs. 2,35,000 was manufactured in India during 1955.

Lead production increased to 2,234.4 tons in 1955 from 1,131.6 tons in 1952.

India's exports to Tibetan region of China during 1955-56 were valued at Rs. 2.64 crores.

FOREIGN

According to the latest official estimates published by the Statistical Office of the United Nations, the population of the world reached a figure of 2,692 million at mid-year 1955 — an increase of 40 million over the previous year.

Four electric power plants, built by the UN Korea Reconstruction Agency (UNKRA) at a cost of \$550,000 have been put into operation on the island of Chejudo, which lies off the South coast of Korea. The new power plant represents a major part of UNKRA aid to 280,000 islanders.

Contribution and pledges to the United Nations Children's Fund (UNICEF) now total \$16,027,000 from 57 governments for this year, following new pledges or contributions by seven countries.

A three-year agreement for economic co-operation between Ceylon and Czechoslovakia has been recently signed. Under the agreement capital goods will be supplied by Czechoslovakian agencies on separate contracts to Ceylon, and the proceeds from the sale of such capital goods will pay for Ceylon products bought by Czechoslovakia.

It is reported that Afghanistan has concluded an agreement with the Soviet Union for \$100 million loan to help raise the standard of living of Afghanistan. Afghanistan was also receiving American aid for developing air communications.

According to the Bureau of Labour Statistics, the cost of living in the US combined to a record level in July. With the consumer price index rising to 117 per cent of the 1947-1949 average, this was an increase of 0.7 per cent over the previous peak reached in June.

Canada's industrial production set a new high monthly record in June by rising 7.8 per cent over June a year ago. In the first half of 1956 industrial production recorded an advance of 7.7 per cent over the similar period of last year.

It is reported the Netherlands Bank has raised its discount rate by ¼ per cent to 3½ per cent.

UK output of iron castings in the second quarter of this year was 2 per cent below that for the previous quarter, but 3 per cent higher than production in the second quarter of 1955.

The Federal Reserve Board has raised its discount rates to four of the Federal Reserve Banks from 2½ per cent to 3 per cent in a bid to curb inflation.

French foreign trade recorded a substantial deficit in July of around Frs. 35,600 million as compared with Frs. 36,600 million in June.

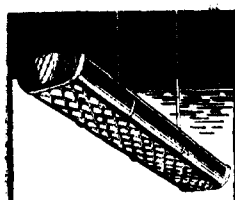
Pakistan raised its export duty on jute cuttings and cut ropes from Rs. 5 to Rs. 10 per bale of 400 lbs. There will be no change, however, either in minimum export prices or export duty on jute during 1956-57.



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Special Articles

**SOCIALISM, PRIVATE ENTERPRISE AND
DEMOCRACY**

(CONTRIBUTED)

SOcial action is the resultant of two factors, the inherent structure of the relevant situation in which we find ourselves and the values which give us the direction in which we want the situation to develop. Any deficiencies in our knowledge of the former or of the casual inter-relations, which alone make it possible for us to effectuate the latter, can render our action ineffective to some extent, depending on the degree of the deficiencies concerned.

The ineffectivity, however, may derive not merely from the deficiencies in our knowledge of the situation or of the casual inter-relationships, but also from the confusion in our values of which we may not be aware. The former are mostly well known and sufficient at-tempt is generally made for their removal. The latter, on the other hand, is hardly paid any attention in the implicit belief that it could hardly jeopardize the social action that we undertake. The belief, though widely held, is unjustified, for any confusion in the basic values to which one subscribes would result in a confusion in the direction which the social change is desired to take.

Confusions and contradictions, however, are not always obvious to thought. Particularly, men of action who have no time to stand back and reflect are apt to be taken in by the glittering slogans of the moment. But for this, it would be difficult to explain the unthinking unanimity and the sudden haste with which the ruling party has subscribed to 'socialism' and 'democracy' in one breath. There, of course, are other political parties which talk and perhaps think the same way. But the opposition can afford to be irresponsible in its talk and thought, which the ruling party cannot, at least, should not do. A political party can certainly cash in on popular slogans and take the wind out of its opponents by adopting their catchwords, but only on the condition that its own thought remains unconfused by any such manoeuvrings.

'Democracy' means a lot of things and so does 'Socialism'. There are such things as 'New democracies' and 'National Socialisms' and perhaps we have not yet seen the last of them. 'Democratic Socialism' or 'Socialist Democracy' is a brand not new to political thought. But among the existing politics of the world it is hardly to be found anywhere and though its protagonists claim that it is the best of both the worlds, the 'worlds' do not seem to care much for it either way. A mildly socialist government (in Britain) was defeated at the polls and the governments on the other side of the iron curtain have always claimed that 'real liberty' was only to be found within their borders. Dynamic Neutralists as we are, we seek the superior synthesis out of the thesis of capitalism and the anti-thesis of communism — a synthesis that shall combine the good and eliminate the evil and show a way out to the harassed world.

Attempting syntheses and seeking multiple, even conflicting, values is not wrong for any society, provided it is clear about it. The necessary pre-conditions for the success of any such attempt is the recognition that the values one is seeking are incompatible in their nature. Only then, it will be realised that neither of the conflicting values can be completely actualised and that the realisation of each tends to limit the realisation of the other. The attempt at a synthesis then becomes

the seeking for a subtle balance which knows where to draw the line and when to withdraw the step that has stepped, perhaps, too far. There will, of course, always be genuine differences of opinion, judgment and emphasis as to where, how and when the tendency has strayed more in one direction rather than the other. But what will be agreed to by all is the necessity for such a judgment and the critical watchfulness which alone can ensure it.

If this be true, — and there seems little to doubt it — our attempt at synthesis seems to be vitiated at its very roots. We are hardly aware that 'Socialism' and 'Democracy' are incompatible. We do not even dream that any attempt to realise the one tends to hamper the realisation of the other. Blissfully unaware of the incompatibilities, we think we have realised 'Democracy' and that it is time to go ahead for 'Socialism.' The fault lies not so much with the political leadership of this country as with the political thinkers of the West on whose books and slogans they have been reared in the past. As for the thinkers in this country, they mostly repeat what is said in the West or feel too patriotic to criticise those in power.

Socialism, by the usual fallacy of indentifying means with ends, has come to mean today only one thing viz. the public ownership of the means of production. A Socialist, whatever his shade, is known by his attitude to private enterprise. The common denominator of all socialists is their conviction that private enterprise is evil — not this or that sort, but private enterprise per se. Equally self-obvious and indubitable is their belief that public ownership is good-in-itself — not because of this or that reason, but because it is what it is, viz. public ownership.

The adoption of Socialism as an end by the party in power is an adoption of this faith. This is reflected in its attitude to private enterprise. Private enterprise is evil, and if it is to be temporarily accepted as an economic necessity for the present, it is only a compromise which is to be set aside as soon as possible and of which we feel secretly guilty. The opposition parties of the left treat it the same way. Only, they treat the compromise not as timely strategy but as cowardly betrayal to the vested interests of the capitalist class. The full spectrum of this contemporary opinion can be had from the Congress, which treats it as regrettable necessity, to the communists, who treat it as fundamental betrayal to the class interests of the upper bourgeoisie. They are all agreed, however, on one point that in the ideal scheme of things private enterprise will have no place and that the more we move towards it, the better. As for the parties of the right, they have hardly any thinking on the matter.

But, except for the communists, these parties subscribe to democracy also. Democracy, most of them would grant, means the right to organise, oppose and propagate one's view till one is able to capture political power through the ballot-box. It, of course, requires many other things as well. For example, it is one of the essential conditions of democracy that the majority will not do whatever it likes. The right of the majority is not an absolute, but only a relative right. The duty of the dissident minority, on the other hand, is not always to accept and acquiesce in the majority's

decision, though in a large number of cases it should be so. Rather the opposition has always the right to propose, propagate and argue its case till it can successfully appeal to the people at the polls. Till then, it cannot flout and obstruct the decision once taken and attempt to decide it on the streets as has grown fashionable for some time in this country.

The right to oppose, however, is not an abstract right. Its exercise is rooted in conditions which alone can make it concrete and effective. If these conditions do not exist, the right is a mere possibility without any relevance to the concrete situation of a particular society. Is Socialism in the sense of public ownership of all means of production, marketing and distribution compatible with the concrete existence of these conditions, which alone make democracy effective in a country? This is the exact question which the political leadership in this country has failed to ask itself and answer.

The right to oppose, for example, means that it should be possible for persons or groups to bring out newspapers, periodicals and publications of their own. But how is the exercise of such a right possible if all the printing presses in a country are owned by the State? Or, would the printing presses of the Government publish material against the actual policies of the State? Today, it is possible for a person or group to bring out a pamphlet criticising the party in power, just because the printing-machines are mostly owned by individuals who care only for their profit. Even a printing-machine, if sufficient funds are raised, can be bought on the market. But, under Socialism, the State-owned press would surely be concerned more with the nature of the contents it publishes than the amount of payment it receives for its services. As for the buying of the printing-machines on the market, it is incompatible with the very definition of a socialist economy. Further, the things have not only to be printed, but distributed and sold to the public. Would this selling be done by the individuals on their own, or only through shops owned by the Government? Would the State determine what books are to be sold and what not? If people make profits on their sales and use it for purposes of political propaganda and organisation against the ruling party, what shall the Government do?

These are simple but important questions which anyone subscribing both to democracy and socialism should be prepared to answer. The issue, of course, is not confined to this particular instance only. We have chosen it merely to illustrate our point as it highlights and focusses attention on the incompatibility between socialism and the right to oppose which is granted by all to be the essence of democracy, except the so-called "new democracies". The economic power, in fact, is ultimately an instrumentality which is essential for the realisation of any end that a person or group may posit for itself. The political opposition can function ef-

fectively only if it can call on resources which are not committed to or owned by the government. If there are no such resources in a particular society, the opposition cannot exist except at the mercy of those who rule. Such a licensed and rationed opposition may provide a good democratic facade to a society, but can hardly deceive anybody. In fact, even such a facade cannot survive for long unless it serves the interests of the persons in power. The history of opposition, even intra-party opposition, in twentieth century totalitarian socialism should be deeply studied by those who think they can combine socialism with democracy.

If the lovers of democratic socialism concede that the printing-press will not be publicly owned in such a society, they have admitted the first limitation on their socialism and granted the incompatibility between their two sets of values. It is an admission that private ownership and enterprise is not necessarily evil and that, at least in a certain field, it is the essential pre-condition for the effective functioning of any democracy. Once it is admitted, the whole attitude to private enterprise must change. It must be seen as the necessary foundation for any democracy and, thus be valued permanently in and for itself. The preservation of private enterprise would, then, be a value to which anyone dedicated to democracy will feel himself committed. The atmosphere of guilt and shame that a century of self-styled progressive thought has associated with the names of 'private enterprise' and 'private ownership' will dissipate. The historical contingency of the 'crystal-gazers of history' will not turn into a valuational contingency for those who value democracy.

This does not mean that 'private ownership' and 'private enterprise' raise no problems of their own. The socialist critique would have been unnecessary, if it were so. The critique, however, as usual, is blind to its own deficiencies. Equally, it fails to see the positive values subserved by the system it seeks to criticise. The task of critical thought and sound statesmanship is to be simultaneously aware of the defects of both and try to find a way that may, to a great extent, overcome the limitations of either. Such a task can never be fulfilled by propagating a climate of opinion in which public ownership comes to be equated with 'the good-in-itself' and private ownership with something 'intrinsically evil'. It should be remembered that it is the protagonists of socialism who look with suspicion at any instance of private enterprise whatsoever. As for the defenders of private enterprise, there is hardly anyone worth the name who does not grant the necessity of the public sector in some field or other.

Socialism and Democracy are, thus, incompatible, if to be a socialist means to be against private ownership and private enterprise. The attitude to private enterprise and private ownership is decisive for Democracy and the sooner it is realised the better for this country.

THE EXPORT DUTY ON MANGANESE ORE

THE manganese ore trade enjoyed a period of respite from export duty for two years. It will be recalled that the duty was abolished on October 18, 1954, in consequence of the slump in the trade. Its re-imposition on August 31 last came unexpectedly, but it cannot be said that it came as a shock. The manganese export trade has been in the forefront of the public eye in recent months by reason of the mild storm caused by the entry of the State Trading Corporation. The storm has now abated. The announcement of the levy of export duty has been accompanied by another

significant announcement on doubling the period of export quotas to one year. More or less simultaneously with these decisions has come forth a welcome assurance from the Government that no discrimination would be made to the prejudice of the private trade in wagon allotments, thus removing genuine apprehensions caused by the intrusion of the State Trading Corporation.

The whole tenor of Government's policy after partial State participation in the manganese export trade has

been to eliminate or at least to minimise, major dislocations. It cannot, therefore, be that the re-imposition of the export duty has been decided in disregard of this central aim. This duty comes close on the heels of the levy of excise on cotton textiles. These levies are dictated by the imperatives of the resources for the second Five-Year Plan.

It is possible to find an explanation of the timing of the renewal of the export duty in certain seasonal factors. In recent weeks developments have taken place resulting in a stimulus to the production of steel at a faster rate. The US steel strike has made it incumbent on the steel industry in that country to overcome the shortfall in output consequent on work stoppages by an accelerated rate. The rate was expected to reach 90 per cent of plant capacity by the end of the last month, while on reasonable calculations it is expected to be raised to 100 per cent of rated capacity during the remaining period of the current calendar year to fulfil the production schedule. Similar considerations, but of lesser significance, apply to some of India's overseas customers of manganese ore. Since the Suez crisis prices have spurred up by a modest margin and anxiety to forestall likely interruption in supplies has encouraged a higher volume of demand. This impost will provide, in some degree, a means to counteract the policy of the Japanese steel consortium to pay to this country less than its due share of export earnings. Put, by and large, the *raison d'être* of this export duty is the expectation that international demand will be sustained on a stable and even rising level in the near future.

It is necessary to examine how far this expectation is justified by the trends in exports in the past few years. The manganese industry is essentially an export industry in this country. Domestic consumption accounts for about 8 per cent of the output and normally the share of exports is around 92 per cent. In 1952-53 it was as high as 98.5 per cent. The table in this article sets out the pattern of exports since Independence. The year 1947-48 serves as a typical average year free from abnormal fluctuations. Exports in this year were 78,000 tons below the war-time annual average, while they were free from the effects of the immediate post-war slump.

The quantity index of exports (1947-48=100) for the period up to 1955-56 shows that, except for the steep fall in 1948-49 of 40 per cent, exports have kept on increasing at levels which have maintained a high tempo of production. The sudden jump in the index to 215.9 in 1951-52, shooting up to 301.0 in 1953-54, is the direct result of the stockpiling programme in the US and in some measure of expansion in steel manufacture

in Europe and Japan. The slump in the export trade in 1954, which followed the suspension of the stockpiling programme, came as a jolt, pushing the quantity index to 190, and caused a serious dislocation. Because the dislocation was abrupt, adjustment was found to be extremely difficult. In fact, the index went still lower to 176.7 in 1955-56, primarily due to failure of transport provision, but last year there was less difficulty than in the year before in absorbing the impact of the change. The two indices of value — aggregate value and average value per unit — disclose one spectacular aspect of the manganese export trade. The unit value index is important from the viewpoint of this characteristic of the trade. It discloses a much faster rate of rise than the quantity index—322.9 as against 301.0 in the year of peak exports, or, to take it at its best, 314.6 as against 276.3 in 1952-53.

The conclusion which this wide disparity between the changes in the indices of quantity and unit value establishes is clear. That conclusion points to the relative inadequacy of manganese ore in the world market. The boom period of 1951-52 to 1953-54 represents an abnormal phase and it is certainly not a period on which programmes of production and export can be based. No significance can be attached to the contention that the target of 1.5 million tons of exports at the end of the second Plan was already reached in 1952-53 and 1953-54. The performance of these years demonstrates the capacity of the industry to expand in response to a sudden pressure of demand.

If the period of boom is excluded, the indices of quantity as well as value during the last two years show much higher increases than in the rest of the period. This trend in 1954-55 and 1955-56 is vital as a pointer to the future potentialities of the trade in this ore. It must be remembered that during this period acute competition was offered by the Gold Coast and South Africa, while the USSR made matters worse by her surprise entry in 1954. The competition conveys a warning to this country to be on the alert. But apart from this warning, the fundamental trend to be noted in world demand is that it will be on the upgrade. This is obvious from the assured expansion in steel manufacture not only in the traditional producer, countries but in undeveloped countries possessing the requisite production potential. The USSR cannot reasonably be expected to oblige the free world with continuous and normal supplies of this strategic raw material for steel. And despite competition from new countries, the prospect for the Indian manganese trade is certainly far from being one of depressed markets.

The new export duty is fixed on a progressive scale, based on the grades of the ore, as determined by its

EXPORT TRENDS IN MANGANESE ORE

Year	Quantity		Total Value		Average Value Per Ton	
	('000 Tons)	Index (1947-48=100)	(Rs. lakhs)	Index (1947-48=100)	Rs.	Index (1947-48=100)
1947 - 48	521	100.0	2.49	100.0	48	100.0
1948 - 49	309	59.3	1.81	72.7	59	122.9
1949 - 50	739	141.8	5.89	236.5	80	166.7
1950 - 51	810	155.5	8.05	323.3	99	206.3
1951 - 52	1,125	215.9	15.69	630.1	139	289.6
1952 - 53	1,440	276.4	21.78	874.6	151	314.6
1953 - 54	1,568	301.0	24.23	973.1	155	322.9
1954 - 55	990	190.0	12.92	518.9	131	272.0
1955 - 56	921	176.7	10.72	430.5	116	241.7

manganese content. Ore with manganese content exceeding 44 per cent is to be taxed at the rate of Rs. 30 per ton. Indian manganese ore ranks among the fine varieties in the world rich in manganese content. Ore of the highest grade, in the tax classification, accounts for much more than half of the total exports. The other two grades to which the duty applies — where manganese content ranges over 40 per cent and up to 44 per cent taxed at the rate of Rs. 20 per ton and where the content is above 38 per cent but not above 40 per cent taxed at Rs. 10 per ton — constitute the bulk of the balance, while the lower duty-free grades

have a small share probably around 10—15 per cent of the total. On the basis of the volume of exports in 1955-56, the total yield from this impost is likely to range in the neighbourhood of Rs. 2 crores. Prima facie, the scheme purports to safeguard the position of producers of low grades on the margin. If the operation of the duty reveals hardships on lower grades, which now come within the clutches of the tax collector, it should not be difficult to soften or remove them. But, in essence, the object of passing the incidence of the duty on the importer will be realised without prejudice to the country's exports.

Economic Report from the U.S.

THE ECONOMIC SCENE

(By GUY SIMS FITCH)

WASHINGTON, Sept. 4.—Labour Day in the United States has come to have a special meaning to observers of the American economic scene. Falling as it does on the first Monday in September, it is viewed as a convenient date for taking stock of the developments during summer months as well as of the outlook for the usual fall and winter upswing. Taking stock this year is a particularly interesting operation. For most of 1956, the American economy has been passing through a strange kind of "levelling-off" process. Amid some earlier fears of downturn, and some difficulties actually encountered in a few industries such as automobiles, housing and textiles, the nation's economy has continued to expand. Employment, income and total output of goods and services have reached new heights.

Taking a look ahead is no less interesting. Government economists now are confident that there will be clear sailing for the rest of the year. Many of them, in fact, are willing to project their forecasts even further in the future: they say that business prospects are excellent through the middle of next year. Behind such optimism lies the exception of continued high-level business spending on new plant and equipment — a type of investment which has been a sustaining factor throughout 1956. Most recent reports show this kind of spending at an annual rate of \$36,700 million for the third quarter of the year. And reports now being prepared are said to lift the figure even higher for the remainder of 1956.

Nor is optimism diminished by the possibility that actual business outlays may not quite meet the latest forecasts. If this were to happen, it would be attributable primarily to a shortage of steel resulting from the recent month-long strike in the steel industry and also to a shortage of money to meet financing needs.

But these are not serious obstacles. While some expansion projects may be postponed, economists believe that enough money will be available, even at the higher interest charges characteristic for the present tight money market, to support capital investment programmes of considerable magnitude. In any case, these capital investment programmes are part of long range plans, and projects, momentarily delayed, will be undertaken as money and materials become available.

These governmental appraisals are supported by views coming from important private elements in the economy. Misgivings expressed a few months ago by

the National Association of Purchasing Agents, for example, have now given way to a renewed optimism. In their latest monthly survey, these business executives note that US industrial production has remained high; there has been another upturn in new orders; inventories have shrunk to the lowest point in two years. In addition, they find instances in which companies are planning to cut back either production or capital expenditures because of shortages of money or materials.

Reports from steel-making centres, meanwhile, show that demand still exceeds supply despite the virtually full recovery of production since the July strike. There is, in fact, an increasing flow of long-range orders that indicates a promising outlook well into 1957. Some users of steel are reported to be placing orders for delivery as far in the future as 1959. Long-term demand is strong for pipe, used mainly in the oil and gas industry, as well as for plates and structural shapes. Even the market for tinplate, which usually is rather quiet at this time of year, is not likely to be satisfied completely during the fourth quarter of 1956. As many economists and business men see it, these developments in the steel industry reinforce the view that capital investment will remain large, both in the immediate future and for some time to come.

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

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The Business World

POWERLOOMS AND PROTESTS

By
CROESUS

AS between the former Minister for Commerce and Industry, Shri T. T. Krishnamachari, and Mr. M. Somappa, a prominent member of the All-India Handloom Board, it is difficult to say who cares more for improving the conditions of the handloom weaver. But I daresay no one who has closely followed the pronouncements and policies of Mr. Krishnamachari in respect of the handloom weaver will doubt even for a moment his sincerity and determination to improve the lot of the handloom weaver. He has repeatedly stated that his concern is more for the man behind the loom than for the inanimate loom. It is with this idea that he launched his campaign for bringing as many handloom weavers as possible within the co-operative fold, being convinced that it is only through the co-operative movement that these weavers can be helped. He reiterated this at the special meeting of the All-India Handloom Board, which met in Bombay recently. If Mr. Krishnamachari was not interested in the handloom weaver, he would certainly not have wasted his time in attending this meeting, the main purpose of which was to consider the methods to be adopted for producing an additional quantity of 700 million yds. of cloth through the handloom sector during the three years ending March, 1959. Addressing the meeting, it is noteworthy that the former Commerce and Industry Minister expressed his desire that the Handloom Board should think in terms of increasing production of handloom cloth not just by 700 million yds. but by as much as 1000 million yds. by March, 1959, if not even earlier. His reactions to the several suggestions made by members of the Board for increasing the production of handloom cloth are a further proof, if any proof were wanted, of his genuine anxiety to help handloom weavers. This is also evidenced from the fact that he went a step beyond the other members in suggesting that it might be necessary to give financial aid even for repairing or improving houses of weavers in order to accommodate frame fly shuttle looms and also promising that the Government would consider the question of granting such aid sympathetically.

From the observations made by Mr. Krishnamachari at the meeting in question, it is clear that this time—unlike on previous occasions—he is pleased with the progress made by the State Governments in the matter of the expenditure incurred on increasing production of handloom cloth. "Judging from the progress of expenditure up to March last", he said, "I can say emphatically that, by and large, the State Governments have done well. The work which we all have done during the last three years has produced some good cumulatively, though it varies from place to place." But it is also obvious that he is not wholly satisfied with what has been done. For he observed: "the work which we all have done during the last three years falls short of what we ought to do and there is considerable leeway to be made up". In indicating how this should be done, he proposed the allocation of quotas to each State for increasing the production of handloom cloth on the basis of the performance of the respective State during the last two years. This is but a just recognition of the good work done so far by the State Governments. After the quotas have been allocated thus, Mr. Krishnamachari wanted the State

Governments to indicate to the Centre the precise help that they would need to attain their respective targets.

Now, in all these things, I do not see any indication that Mr. Krishnamachari is hostile to the genuine interests of handloom weavers. It is still anybody's guess whether or not the replacement of handlooms by powerlooms is going to be beneficial to the weavers. No one can afford to be dogmatic unless one has at hand the concrete results of an experiment or trial in this behalf. What the Government of India has decided upon is only in the nature of such a trial. It has not insisted on converting 60,000 handlooms into powerlooms, as the Kanungo Committee wanted but only 35,000 handlooms. Mr. Somappa and ten other members of the 12 non-officials of the All-India Handloom Board who attended the special meeting are over exaggerating things, therefore, in opining that the Government of India's revised textile policy to encourage installation of powerlooms in place of handlooms is calculated to put out of employment large sections of weavers and thereby further worsening the economic position of several million people who are dependent on the handloom industry, particularly at the present juncture when the industry is being rehabilitated and is capable of meeting the entire additional demand for cloth anticipated towards the end of the second Five-Year Plan. These arguments of Mr. Somappa and his friends, I am afraid, cannot be sustained, even as the unfounded apprehensions expressed by the Executive Committee of the Tamil Nad Congress Committee at one of its recent meetings in Coimbatore.

To take Mr. Somappa's views first. According to him, the introduction of powerlooms in place of handlooms as envisaged by the Government of India is calculated to put out of employment large sections of weavers. It is of interest to recall here that the Kanungo Committee, on whose recommendations the Government's latest policy is based, made two specific proposals in order to allay such apprehensions, namely: first, to provide handloom weavers with work for 300 days in the year, as against an average of 200 working days, and, secondly, to replace handlooms by powerlooms only gradually. In both these cases, undoubtedly the Committee was prompted by the necessarily important consideration to expand the production of handloom cloth, but it was not unaware that this might mean the displacement over a period of six years, of about 14 lakh of workers. However, it was convinced that there would not be much difficulty in absorbing persons so displaced in other occupations. Justifiably, it felt that the scope for new openings, especially in an expanding economy such as ours, what with an ambitious plan in the process of implementation would be considerable.

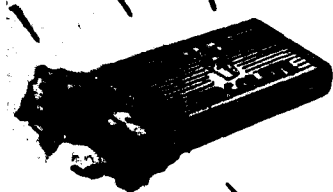
It is a moot point whether, given the normal process—if there has been any—of rehabilitation, the handloom industry would be able to meet the entire additional demand for cloth anticipated by our planners at the end of the second Plan. It is precisely because of the serious doubts it entertained on this point that the Kanungo Committee recommended not only improvements in the old traditional type of handlooms, such as substitution of old pit type looms by the frame fly

shuttle type looms but also the replacement of at least 60,000 handlooms by powerlooms. Further, not all the handlooms in existence in this country are in that spick and span working order as not to be discarded for good, wherefore one wonders why even such out-moded handlooms should be sought to be perpetuated, instead of being discarded and replaced by the admittedly more productive powerlooms.

After all the reassurances of Mr. Krishnamachari that it is far from the intention of Government to create any unemployment by introducing powerlooms and that this process is to be so gradual as to cause the minimum degree of distress, the threat of resignation from the Board of members like Mr. Somappa comes with ill grace. Of all persons, it is a pity that Mr. Somappa, who should be more fully aware of the genuine concern of Mr. Krishnamachari for the handloom weaver than anyone else, should not be satisfied with these assurances. As Mr. Bhaktavatsalam,



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the Madras Industries Minister, observed in Madras, after his return from attending the recent meeting of the Executive Committee of the TNCC at Coimbatore, the Government of India's decision to introduce powerlooms is part of a long-range plan for the rehabilitation of handloom weavers on a permanent basis. It is intended to free handloom weavers from their perpetual dependence on the mill cloth cess fund. As the Madras Minister pertinently observed, handloom weavers cannot for all time look to this cess fund, as it is bound to go out of existence with increased consumption of handloom cloth. He also added the further assurance that in the case of any measure adopted by the Government being found to be prejudicial to handloom weavers, the Government would unhesitatingly withdraw it. There may be some justification for the fear that the introduction of powerlooms might lead to unhealthy competition between them and the handlooms. Evidently anticipating this, the Government has insisted on the introduction of powerlooms through co-operatives, which should enable the programme of powerloom installation to be properly phased so as not to lead to any unhealthy rivalry as between the two sectors of the decentralised textile industry.

There is another consideration still which makes it necessary to go in more and more for powerlooms in place of handlooms. Apart from the fact that powerlooms give almost five times the production of handlooms for every shift of eight hours, the introduction of powerlooms would ensure two things, both very desirable and welcome. It would, in the first place, ensure load for the many power projects that are being developed all over the country. Secondly, because of this assured load, the programme to provide electric lights for our villages would be facilitated, inasmuch as the industrial load would bear a higher incidence and thereby make it possible for the electricity boards or private electricity undertakings which may be engaged in the distribution of electric power to the rural areas to offer power for lighting purposes at relatively cheaper rates.

Considering all these, it seems too late in the day protesting any more against the introduction of powerlooms in this country, unless, of course, it is the unalterable intention of the protagonists of handlooms to perpetuate the present depressing lot of our handloom weavers, on the one hand, and to resist any attempt at modernisation of the methods of production in this country, on the other.

A Letter to the Editor

EXPORT BONUSES IN INDONESIA

Sir,

With reference to your publication for week ending August 24, 1956 I regret to point out that in your "News in Brief" (foreign) column a wrong insertion with regard to Indonesian Export premiums has appeared.

It may be noted that according to latest import regulations the export bonus is not paid in Indonesian rupiah but in foreign currency.

I hope suitable amendment may be issued in your next issue.

Thanking you,

Yours faithfully,

BASUKI B. WIBISONO,

(Officer Attached to the Embassy.)
The Economic Department of the
Indonesian Embassy.

[The error is regretted — Ed.]

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BUSINESS NOTES

A PRAGMATIC APPROACH TO SHIPPING POLICY

THE GIST of Mr. Lal Bahadur Shastri's address at last Sunday's session of the Indian National Steamship Owners' Association was that Government's approach to the policy for the expansion of shipping would be pragmatic. This should come as a heartening assurance to shipping companies which were in a state of suspense as to the future of the private sector in this industry. Grave doubts were expressed about the imminence in the not distant future, of the nationalisation of shipping and investment enthusiasm was damped. Mr. Shastri categorically stated: "Any fair distinction between the public and private sectors, in so far as the development of shipping is concerned, does not appeal to me." He further elaborated the Government's position vis-a-vis the private sector and made a welcome pronouncement that government-owned ships would not run in competition with private-owned ships on routes on which existing shipping companies had developed a stable trade. A rider needs to be added to this assurance. On new routes, where the potential traffic is limited or insufficient, tonnage will not be wasted by duplication of services operated by the two sectors.

The Transport Minister's frank speech makes it clear that Government's approach would be free from doctrinaire motives. As the goal to be achieved is a much faster rate of expansion than in the first Plan, or, if possible, than what is envisaged in the second Plan, contributions to this difficult effort would be welcome whether they come from the private sector or the public sector. In so far as pragmatism in the approach is concerned, an incentive has been offered to the private sector. But this is only part of Government's policy. It is to be regretted that in other and perhaps more important spheres of policy which have a direct bearing on its implementation, Government has not shown the same clarity or firmness. The Minister has stated that progress of development of shipping on the coast was below expectation because cargo freight rates were prescribed at uneconomic levels. This was precisely the grievance of the private shipping companies and yet it has not been fully redressed by official action. Only ad hoc increases in freight rates are awarded and the Rail-Sea Co-ordination Committee is still on its prolonged journey to a comprehensive report. The problem of liberalising conditions of loans to shipping companies for purchase of additional tonnage is hanging fire for a very long time. The proper stage to take a positive decision on it was before fixing the financial programme and targets for shipping in the second Plan. The industry was told by the Minister that the problem was still engaging Government's attention.

Mr. Shastri has listed a number of routes over which the public sector would ply the services on account of the withdrawal of the existing private services and has also mentioned new routes over which the State would run the services in spite of their unremunerative nature. The reason why private companies withdrew from the specified routes was recurrence of losses over a long period and Government's reluctance to offer financial assistance in this situation. If the State is to run these services, presumably despite persisting losses, at the cost of the tax-payer, what was the harm in providing assistance to operators who have proved their ability and efficiency in a highly competitive trade?

TISCO'S TWO ACHIEVEMENTS

THE HEIGHTS to which industry can be raised under the auspices of free enterprise contradicts the charge which it has become fashionable to level against it

nowadays. It has been asserted that free enterprise in India has failed to show any initiative in recent years. The Tata Iron and Steel Company has demonstrated by its new programme of expansion the initiative which free enterprise is capable of taking. Mr. J. R. D. Tata has frankly acknowledged the valuable assistance rendered by the Government in enabling TISCO to go ahead with its two million ton programme of expansion. He has also paid unqualified tribute to Mr. T. T. Krishnamachari to whose personal dynamism the private sector owes the launching or consummation of many of its expansion programmes. TISCO's expansion project belongs to this category. The World Bank loan of Rs. 36 crores was, of course, successfully negotiated because of government guarantee. But there is the other side to the medal. It is here that TISCO's achievement is seen in a striking manner. The loan could not have been granted if TISCO had not built over a period of decades its financial strength and sterling reputation for credit-worthiness. This is the biggest single loan granted by the World Bank in its history to an individual industrial undertaking in any part of the world. It is also the biggest single loan granted by it for any purpose in Asia. If Mr. Eugene Black accepted the request of TISCO management to save time by expediting the loan procedure in order to facilitate progress of the project, it was because the World Bank's President and the Board of Directors had a feeling of confidence in the efficiency and integrity of TISCO's management.

Another important achievement which stands to the credit of TISCO, and in a way also to the credit of free enterprise, is its bold experiment in concluding in its last stage the agreement with its workers for labour's association with management via consultation through the three-tier system. TISCO's management could have postponed this bold measure until an all-India policy was introduced, presumably under Government inspiration. But on balance it found advantage in giving trial to a freely negotiated agreement. How many of the projects in the public sector can boast of this bold reform in spite of the claim, repeated ad nauseam, that the State would hold itself up as an ideal employer? Mr. Tata, however, has been forthright in defining the limits of this experiment. He has uttered no words in declaring that the wild talk in which many sections of trade union leadership indulge about ultimate handing over of management to workers is irresponsible and cannot but result in inflicting great harm on industry and labour itself. With rapid advances in mechanisation and technology, industrial management is also rapidly becoming a complex technical job. Only those technically qualified to undertake it can assume it without risk to industry. It is undoubtedly true that a worker at any level should have freedom of opportunity to rise to the highest level. But Mr. Tata has rightly pointed out that when he reaches a definite level as an expert technician, fit to assume managerial responsibility, he ceases to be a worker. Whatever the source from which its personnel are drawn, management cannot abdicate its function to manage in the interest of industry and employment.

ON QUOTING STATISTICS

ALTHOUGH EVERYONE knows the uncomplimentary remarks that statistics can be made to prove anything is hardly fair to that science, occasions do arise at times when one is almost inclined to agree with the remark. But, even so, very often, it is not so much the science of statistics that is to blame as the wrong approach to a subject whilst invoking that science. When, for instance, two such eminent textile men like Mr. Neville Wadia and Sir Raymond Streat arrive at quite opposite conclusions on the same subject—exports of Indian

cotton textiles to the UK—unfriendly critics of statistics may seize the opportunity to prove what might seem, 'prima facie', their contention. A little calm and dispassionate examination, however, will reveal the truth of the matter. In an article which he contributed recently to the 'Manchester Guardian', Mr. Neville Wadia said that India's exports of cotton textiles to the UK had dropped by about 16 per cent and quoted the export figures for the years 1954 and 1955 as 125.19 million yds. (linear) and 104.94 million yds. (linear), respectively, which show a drop over the period of 20.25 million yds., that is of 16 per cent. Sir Raymond challenged these figures in a letter to the Editor of the same paper in reply to Mr. Wadia's article and quoted the total imports of Indian cotton textiles into the UK as 132.80 million sq. yds. in 1954 and 136.52 million sq. yds. in 1955, which meant an increase (and not a decline as stated by Mr. Wadia) of 3.72 million yds.

Now, both these figures are found to be correct, although—odd as the suggestion may seem—this need not be construed as either proving the one's statistics or disproving the other's. For, in the first place, the sources of the two are different. Thus, whereas Mr. Wadia based himself on the figures of the Joint Chief Controller of Exports and Imports, New Delhi, Sir Raymond based himself on the figures of the Cotton Board, England. Secondly, Mr. Wadia's figures are in linear yds. not in square yards as Sir Raymond's. Thirdly, because of the necessary time lag, there is always a difference between the total quantity passed for shipment from a country to any destination for a given period and the total quantity actually received by the importing country (i.e., the destination in question) for the same period. As a matter of fact, there is some discrepancy, however slight it may be, even as between the figures (passed for shipment) supplied by the Joint Chief Controller of Imports and Exports, India, and those of actual shipments furnished by the Director-General of Commercial Intelligence and Statistics, Calcutta. Thus the exports in 1954 and 1955, according to the latter source, were only 112 million yds. (linear) and 86 million yds. (linear) respectively, showing a decline of 26 million yds. or of 23 per cent. But what is significant is that figures supplied by both the Indian sources show a decline, unlike the UK Cotton Board figures quoted by Sir Raymond.

INDO-BURMESE TRADE AGREEMENT

An agreement to strengthen the traditional contacts of trade between India and Burma was signed by the two Governments on Wednesday this week. It will be recalled that U Raschid, then Minister of Trade Development and Labour, Government of Burma, had led a delegation of his country for negotiating a rice deal with this country recently. The occasion was taken advantage of to start discussions on a general trade agreement. These initial discussions were followed, and completed this week. The agreement for overall trade is to last for a period of five years.

An important feature of this agreement is that the whole scheme of the two-way traffic has been so arranged that trade on both the sides will be balanced as nearly as possible. This does not in any sense mean that a margin of surplus or deficit for either party is to be scrupulously eliminated. Such rigid and nice balancing would interfere with flexibility of trade which cannot be sacrificed if the agreement is to bring maximum benefits to both the parties. But the object of trying to maintain even balance seems to have been necessitated by the desirability not to put any additional strain on the foreign exchange resources of Burma. It is agreed between the two governments that suggestions which either party may make to diversify trade for correcting possible tendencies towards large gaps should be considered carefully and acted upon wherever possible. The composition of the trade

agreed upon shows that the commodities listed in the agreement fit into the normal pattern of the external trade of both the countries. Among the commodities specifically mentioned for export from India are cotton, woollen and silk textiles, jute manufactures, tea, oils and oilseeds, chemicals, pharmaceuticals and drugs, engineering goods including diesel engines, pumps, sewing machines, textile machinery, machine tools, and a variety of small factory machinery, agricultural implements, electrical goods, steel furniture, automobiles, and so forth. The commodities enumerated for export from Burma include rice and pulses, maize, raw cotton, teak, hard wood, lac, tung oil, rubber, tin ore, wolfram ore, zinc concentrates, pig lead and ore, precious, semi-precious and synthetic stones, products of cottage industry and handicrafts, and so on.

The pattern of this agreement follows the conventional model in respect of other terms. Thus it is agreed that imports and exports in relation to the two countries will be governed by the regulations regarding foreign exchange, import and export in force from time to time in each country. There is an understanding that in the transport of the commodities pursuant to this agreement the two governments will take care to ensure that national shipping of the two countries is encouraged and patronized.

NEW PHASE FOR COFFEE INDUSTRY

THE RAJPRAMUKH of Mysore State, in his inaugural address at the last annual session of the United Planters' Association of South India, drew attention to a planned and vigorous approach to the expansion of the coffee industry. His assessment of the task before the industry in the coming years is valuable because of its objective nature. He pointed out that the phase of consolidation of the industry had been successfully passed through and the industry had now entered upon a more difficult, but certainly attainable, goal of rapid development. The first aspect of coffee plantation which calls for energetic application of improved methods is the yield per acre. The fact that the yield in India is considerably below the average yield in the world should act as a spur to achieving parity with at least some of the advanced countries.

Indian coffee has earned distinction as representing one of the finest mild varieties grown in the world and hence on the score of quality it is easy for it to establish a good market. Such a market is already being developed on the Continent, the Persian Gulf and the United Kingdom. But export is a less important factor in the Indian coffee industry than domestic consumption. Indian coffee accounts for only 1 per cent of world production. In view of the fact that the domestic market is large and it has a considerable potential of expansion, export will be possible only on a modest scale. But whatever the quantum of export, any attempt to develop the overseas market must take note of the fact that India's exportable surplus will have to be on a continuous basis and not subject to interruptions. This is so because the purchaser abroad has a better and a wider choice in the matter of sources of supply. Domestic consumption has recently tended to increase and this is a factor of great importance to the strength of the industry. An industry which has got a large and growing market at home has a stable base on which to plan its future expansion. Nevertheless, unless plantations are developed, particularly by intensive methods and secondarily by extensive cultivation, there is a real risk of the consumer being made to pay higher prices for demand stimulated by sustained propaganda. The lesson which the Rajpramukh impressed upon his audience was to proceed vigorously but not impatiently. He is of the view that this object which is vital for the security of the industry will be achieved by the development plan prepared by the Coffee Board and finally approved by the Government.

COMPANY AFFAIRS

THE INDIAN WOOD PRODUCTS CO., LTD.

The Company's profit for the year ended September, 1955, at Rs. 17.26 lakhs shows a satisfactory increase over the previous year's profit of Rs. 13.50 lakhs. In recent years, however, the U.P. Government has been charging higher royalty on timber which is calculated to result in higher production costs in future. Also, the new tax on dividends over 6 per cent will affect the Company and, for the year under review, will cost an extra Rs. 85,000 on the dividend recommended. In the case of production costs, the position is not much different from the previous year, the costs having been generally maintained at the previous year's level. The sales for the year amount to the about Rs. 41.82 lakhs, showing an improvement over the previous year, when the sales totalled Rs. 37.41 lakhs (less sale charges in both cases).

The net profit for the year under review, after providing for taxation, is Rs. 9.97 lakhs, and together with the previous year's balance of Rs. 1.80 lakhs brought forward, it totals Rs. 11.77 lakhs. From this is to be deducted an amount of Rs. 2 lakhs being the interim dividend of 10 per cent paid, in November, on 2 lakh ordinary shares of Rs. 10 each, free of income-tax. Out of the balance of Rs. 9.77 lakhs, the Directors have decided to transfer Rs. 3 lakhs to general reserve leaving a balance of Rs. 6.77 lakhs. A final dividend of 20 per cent on ordinary shares, also free of income-tax, as recommended by the Directors, absorbs Rs. 4 lakhs leaving Rs. 2.77 lakhs to be carried forward. The increased carry forward is designed to meet additional tax liabilities in future.

CHEMBRA PEAK ESTATES, LTD.

The Company harvested, during the year ended March, 1956, a total tea crop of 12.03 lakh lb., which represents an increase of close on 1.31 lakh lb. over the previous year's figure of nearly 10.73 lakh lb. The cost of production per lb. of tea at 22.59 annas shows an appreciable decrease when compared to 25.61 annas for 1954-55. This advantage has, however, been offset by a decrease of well over 7 annas in the average price realised per lb., which was 27.11 annas for the year under review as compared to 35.80 annas for the previous year. The export quota for the year being 69.3 per cent on the Best Crop Basis, the Company was allotted about 5.31 lakh lb. In the case of coffee, the Company delivered over 112 tons to the Coffee Board, valued at Rs. 117 per cwt.

The year's profit at about Rs. 3 lakhs (before providing for taxation) is less than half of the previous year's Rs. 6.29 lakhs. Together with over Rs. 85 thousand brought forward, and after deducting Rs. 1.13 lakhs for taxation and Rs. 1.50 lakhs for transfer to general reserve, the balance available for distribution amounts to Rs. 1.22 lakhs. The Directors have recommended a 10 per cent dividend, absorbing over Rs. 93 thousand, and the balance of a little under Rs. 29 thousand is to be carried forward. The reserves now stand at: General Rs. 9.50 lakhs, staff pension fund Rs. 50 thousand, and taxation Rs. 1.75 lakhs. In a total of 4,586.50 acres under the Company, the acreage of tea (mature) is 1,336.0; of Coffee Robusta (mature) 371.33; and under buildings, roads, etc., 122.41. The balance of 2,756.76 acres are reserve land.

THE PERIA KARAMALAI TEA & PRODUCE CO., LTD.

Both the crop harvested and the f.o.b. cost per lb. of tea, of the Company, in its working during the year ended March, 1956, show only marginal variation from the previous year's figures; the total crop harvested during the year was 39.93 lakh lb. at a cost of 19.92 annas per lb., compared to 39.84 lakh lb. at 19.77 annas

for the previous year. The average net price realised per lb. was nearly 2 annas less than the previous year, the figures being 36.89 annas for the year under review and 38.85 annas for the previous year. The Company delivered a little over 278 cwt. of coffee to the Coffee Board, which has been valued at Rs. 180 per cwt.

The year's profit, before taxation, at Rs. 36.26 lakhs shows some decline compared to the previous year's figure of Rs. 42.01 lakhs. After adding to the profit Rs. 89 thousand brought forward, and after deducting Rs. 14.70 lakhs (provision for taxation), Rs. 30 thousand (staff pension fund) and Rs. 6 lakhs (transferred to general reserve), and Rs. 5.22 lakhs paid as interim dividend of 15 per cent, the balance available for distribution amounts to Rs. 10.94 lakhs. A final dividend of 30 per cent has been recommended by the Directors to be paid absorbing Rs. 10.43 lakhs, and the balance is to be carried forward. The general reserve now stands at Rs. 41.46 lakhs and the taxation reserve at Rs. 9.12 lakhs. The Company's total acreage is 5,173.21, distributed, among others, under 3,409.39 acres for tea (mature), 217.28 acres under coffee and 855.39 acres under reserve land.

PUSSIMBING TEA CO., LTD.

In their report of the Company's working for 1955, the Directors state that severe hail in April, 1955, destroyed a substantial part of the early, quality tea and the loss of crop has been assessed at some 29 thousand lb., the total crop being some 1.78 lakh lb. The result has been that while the total working cost per lb. of tea produced has shot up from 35.98 annas in 1954 to 47.28 annas in 1955, the net average sale price, including value of export rights sold, shows a sharp decline from 58.67 annas for 1954 to 42.51 annas per lb. for the year under review. In addition to the short crop made, the working costs were enhanced by the increase of 1½ annas in the daily wages of labourers agreed to by the industry from April, and a further increase of 2 annas per day imposed by Government from July. Whereas these increases cost some 2.6 annas per lb. for the year under review, they are estimated to cost 3.4 annas per lb. over a full year. The payment of retrospective bonus for 1953 and 1954 means the equivalent of a further cost of 2.68 annas per lb.

The gross profit for the year is Rs. 21,490. After providing for depreciation, income tax adjustment and other charges, there emerges a net loss of Rs. 17,201 and a final credit balance on this account of Rs. 14,068, which the Directors have proposed to be carried forward.

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COMMODITY NEWS AND NOTES

NEW MARKETS FOR INDIAN CASHEWNUITS

New markets have been found for the export of Indian cashewnuts in France, Italy, Switzerland and recently the Soviet Union. In 1955-56, 76.6 tons of cashewnuts, valued at Rs. 3.22 lakhs, were exported to France as against two tons in the previous year. Before 1954-55, there were no exports of cashewnuts to France. Similarly Italy imported cashewnuts worth Rs. 4.36 lakhs in 1955-56 as compared with a small amount valued at Rs. 1,000 in 1954-55. Exports of cashewnuts to Switzerland in 1955-56 were valued at Rs. 7.23 lakhs as against Rs. 3.12 lakhs in 1954-55. In 1953-54 the value of exports was Rs. 11,000. The traditional markets for Indian cashewnuts are the United States of America, the United Kingdom, Canada, Australia, the Netherlands, Sweden, New Zealand, Hong Kong, etc. Exports to the USA in 1955-56 were 24,407.5 tons valued at Rs. 10.35 crores as compared with 27,180.5 tons valued at Rs. 8.9 crores in 1954-55. The United Kingdom imported 3,051.7 tons valued at Rs. 1.2 crores in 1955-56 as against 4,282.25 tons valued at Rs. 1.03 crores in the previous year. Total exports of cashewnuts in 1955-56 amounted to 29,962.75 tons valued at Rs. 12.92 crores as compared with 31,011.8 tons valued at Rs. 10.7 crores in 1954-55 and 26,030 tons valued at Rs. 11 crores in 1953-54. China imported for the first time in April and May this year, seven cwts. of cashewnuts valued at Rs. 3,000.

U.S. RUBBER CONSUMPTION

Consumption of natural and synthetic rubber in the US fell in July to 94,929 tons from the 108,961 tons in June, and 109,554 tons in July, 1955. Natural rubber consumption in the US in July was 37,907 tons, against 42,845 tons in the previous month and 46,349 tons in July, 1955. Consumption of synthetic amounted to 57,022 tons, compared with 66,166 tons and 63,205 tons respectively. The ratio of natural to synthetic used during the month rose from 39.32 to 39.33. US stocks of natural at the end of the month were 110,882 tons, and of synthetic 187,986 tons.

AUSTRALIAN WOOL EXPORTS

Australia exported 87,097,000 lbs. of wool during July—the first month of the current woolselling season—according to the National Council of Wool-selling Brokers. This compares with 87,490,000 lbs. in July, 1955. Of the current total, Britain took 22,005,000 lbs.; Belgium 12,256,000; France 15,196,000; Germany 4,441,000; Italy 5,608,000; Japan 19,246,000 and U.S. 2,716,000 lbs. Exports of wools for the month amounted to 1,156,000 lbs. against 987,000 lbs. in July last year. These included 328,000 to India and 505,000 to Japan. Wool waste exports were 2,042,000 lbs. against only 611,000 lbs. last year, including 32,000 lbs. to Britain, 1,839,000 lbs. to Japan and 102,000 lbs. to USA.

CEMENT PRODUCTION

Improvement in cement production was well maintained in the first half of the current year, when output totalled 2,462,700 tons, compared to 2,129,400 tons in the corresponding period of last year. Cement production progressively increased to 4,410,000 tons in 1955 from 4,370,000 tons in the previous year and 3,780,000 tons in 1953. Despite this rapid increase, production is not sufficient to meet the growing needs of the country. Large quantities of cement are being imported from abroad.

GOLD OUTPUT

Production of gold in India declined to 17,016 oz. in June 1956, bringing the total output for the first half of the year to 102,029, against 107,824 oz. in the previous half year. Gold production fell from 240,704 oz. in 1954 to 221,461 oz. last year, the lowest in the past five years.

IMPORT AND EXPORT OF RICE

It is reported a quantity of 25.3 thousand tons of rice had so far been imported at an average cost and freight of Rs. 18-14 per maund. About 423.15 tons of rice had been exported from India since January 1, 1956. The average price based on the F.O.B. value (including export duty) worked out to about Rs. 19-3 per maund.

DESPATCHES OF SUGAR FROM BIHAR AND U.P.

Despatches of sugar from factories in Bihar and U.P. from November 1955 to June 1956 totalled 7.79 lakh tons as against 4.53 lakh tons during the corresponding period in the previous season. The carry-over of sugar with factories on July 1, 1956, was 11.57 lakh tons as against 9.11 lakh tons on the same date last year. The estimated demand for the period between July and November, 1956, was about 8 lakhs tons.

SUGAR PRODUCTION

The production and despatches of indigenous sugar amounted to 18.54 and 13.53 lakh tons up to August 15, 1956, in the current season as against 15.84 and 9.20 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on August 15, 1956, stood at 9.10 lakh tons as compared with 7.22 lakh tons last year.

COTTON PRODUCTION UNDER SECOND PLAN

In a written reply to Sardar Iqbal Singh in the Lok Sabha recently, the Food and Agriculture Minister, Shri Ajit Prasad Jain said that the Indian Central Cotton Committee held its meeting in February 1956 and it agreed to the target of production of 55 lakh bales of cotton in the country as envisaged in the second Five-Year Plan.

MALAYAN TIN OUTPUT

It is reported that July output of tin in Malaya was 109,789 piculs containing 4,927 tons of tin-metal, was down by 6.8 per cent compared with June. Despite the drop, however, production for the first seven months of this year was still a post-war record, amounting to 36,299 tons, or 2 per cent more than in the corresponding period of last year. At the end of July, there were 795 tin mines working in the Federation—seven more than at the end of June, while 40,318 people were employed against 39,685.

NO CHANGE IN TEA EXPORT DUTY

The Government of India have issued a notification fixing the price of tea for the purpose of determining the export duty, at Rs. 2-11-5 per lb. as against Rs. 2-8-5 per lb. in force from August 1, 1956. There is no change in the existing rate of duty of annas six per lb.

Company Meeting

THE TATA IRON AND STEEL CO., LTD.

The following is the speech of the Chairman, Mr. J. R. D. Tata to be delivered at the forty-ninth Annual General Meeting of the shareholders of the Tata Iron & Steel Company Limited on Thursday, August 30, 1956.

Ladies and Gentlemen,

Much has happened, since our last Annual Meeting, to confirm the views on economic trends to which I had given expression in previous speeches. You will recall that in these speeches I had, apart from dealing with events and problems directly concerning our Company, taken a great deal of your time in sharing with you my hopes, doubts and fears about some of the economic policies of our Government. In particular, I had sounded a note of warning against some developments which seemed to me to threaten the balance of the mixed economy to which I thought we were committed: for instance, the trend towards a highly centralised form of State "capitalism"; the nationalisation of Life Insurance; the use of ordinances as a means of implementing economic policies; the frequent recourse to constitutional amendments; and some of the provisions of the new Companies Act.

2. While pointing to the dangers inherent in such developments, I had consistently made it clear that free enterprise in India unreservedly accepted the national objectives of increased production and equitable distribution and was anxious to co-operate with Government in the building of a practical Welfare State in which state enterprise and free enterprise joined hands in the common task.

CONCENTRATION OF ECONOMIC POWER

3. If I took such pains to elaborate my views on these matters, it was not only because I felt that they were of vital interest to you as shareholders of this Company, but also because I hoped, that what I had to say might perhaps have a hearing in quarters where policy was fashioned. While I do not wish to waste your time in any repetition of views previously expressed, I feel I must reiterate the concern with which I and many other view the ever increasing centralisation of economic power in the hands of Government.

4. Nearly fifty years ago Woodrow Wilson said:

"The history of liberty is the history of the limitations of governmental power, not the increase of it. When we resist . . . concentration of power, we resist the powers of death, because concentration of power is what always precedes the destruction of human liberties."

5. We are witnessing in India an uninterrupted growth of Governmental power in the economic field and are already well on the way to a strange and unnatural combination of political democracy and economic autocracy. The question that should agitate the minds of all of us is whether our political freedoms can long survive if our economic freedoms continue to be whittled away. Once all economic power is centred in Government, will it not be found equally necessary to curtail other freedoms in the interests of the people? Although there may be no danger that the able men in power today, motivated as they are by democratic ideals, will abuse their powers, history shows that the danger lies in the very existence of unlimited power which may one day fall into less worthy hands.

NATIONALISATION OF LIFE INSURANCE

6. The extent to which Government's economic powers can be exercised was strikingly demonstrated during the year by the sudden nationalisation of Life Insurance. Although spokesmen of Government have stated in the past that ideology played no part in the formulation of their economic policies, it is noteworthy that, during the debate in Parliament on the Life Insurance Corporation Bill, the then Finance Minister said:

"There was no need for Government to make out a case that private enterprise had failed in order to effect nationalisation. Nationalisation could be justified on grounds of ideology and philosophy."

7. This statement, coupled with the fact that every practical object which the Government sought to achieve could have been secured without recourse to nationalisation, must lead to the conclusion that political or ideological considerations were largely responsible for the measure and that they are likely to motivate future economic decisions. The fact that in normal times Government should have invoked emergency powers to implement this decision by ordinance, without first consulting Parliament and sounding public opinion, cannot but add to one's uneasiness.

STATE TRADING

8. Another cause for apprehension lies in the recent entry of the State into the field of trading. During the brief period of its existence, the State Trading Corporation has already taken over or entered trading in a number of important commodities and through its operations Government are in a position to exercise powers of control over the whole field of industry even more sweeping than those they already possess.

PRIVATE SECTOR'S PERFORMANCE

9. We are told that in India capitalism has failed to deliver the goods, that it has shown no initiative and that it cannot in an economically backward country like ours produce the dynamic results obtained in the highly developed economies of the West. So, it is argued, it must be replaced by socialism which, alone, can produce results. This view seems to overlook a number of facts such as that the Private Sector has fulfilled and in some cases exceeded its production quotas under the first Five-Year Plan; that private enterprise in India has not up to now had the freedom of action and the incentives it enjoys in the countries where it has proved so strikingly successful; and that there is enough evidence available that the introduction of socialism of the kind, and by the means, contemplated in India has not proved an unqualified success in other countries. Still, even if we accept the premise that the magnitude and urgency of the task in India render its performance beyond the capacity of free enterprise alone, the correct solution, which until not so long ago seemed to have been accepted by Government, lies in a mixed economy in which both free enterprise and State Enterprise are harnessed to the country's needs.

10. I feel the charge that free enterprise in India has shown no initiative in recent years is particularly hard to take. I for one am in fact surprised at the amount of initiative displayed considering the discouragement and disincentives to which it has been subjected. While saying this, it is only fair that I should acknowledge the help and advice which industry in the private sector has received in recent years from our dynamic Minister for Commerce and Industry. It is a measure of the man that his socialistic views have not prevented him or his Ministry from extending assistance to industries in need of it for purposes of agreed schemes of development. Without his encouragement and quickness of decision, our Two Million Ton Project might not have come into being or would still be at the stage of discussion and correspondence. We are grateful to him for his support.

11. Indian industry needs no compulsion to induce it to collaborate with Government or to make its full contribution to the economic development of the country. It is prepared to take the necessary risks and to make the necessary sacrifices, but it asks to be left in reasonable peace to do its allotted job.

INDIAN COMPANIES ACT, 1956

12. Instead, the restrictions from which it suffered in the past have been aggravated by the new Companies Act. While the many wholesome provisions enacted for the protection of the investor are to be welcomed, the strait-jacket into which the Act places Management goes beyond all reasonable requirements. Those of you who have taken the trouble to study this Act will appreciate the waste of time and energy caused by a number of its provisions as illustrated by the thirteen pages of the notice and its annexure in this year's Report as compared to the one-page notice in previous years.

13. The Act has gone to extraordinary lengths in its attempt to regulate the operations of joint stock companies, including such provisions as those pertaining to family relationships, of which no less than eighty-six degrees, both legitimate and illegitimate, have been covered in the relevant section. The Act is not only the cause of much waste of time and energy but also of much avoidable expense. In a country in which there is such a dearth of administrative personnel — in some places a total absence of it — to care for the basic needs of the people in the countryside, it is sad to see so much administrative machinery and expenditure diverted to such relatively unproductive ends.

AGREEMENT ON NATIONAL OBJECTIVES

14. To sum up this part of my speech, let me say that we all realise that since Independence our Government have performed a tremendous task. Faced with an unprecedented array of political, economic and social problems, they have discharged with ability, devotion and success an appalling burden of responsibility. We also realise that their task in the coming years will remain a formidable one; that the success of India's plans of economic development is essential to the future prosperity and happiness of our people. We in the industrial and business field are therefore at one with Government in their objective of a prosperous, democratic and happy nation emerging from the years of toll ahead. Where we differ is in the respective roles of the State and of the individual in the economic activity of the nation. We sincerely feel that some of Government's policies are based on economic theories on capitalism and socialism which no longer fit the facts, if ever they did. They seem to ignore the lessons of the social and economic experiments undertaken elsewhere in the world during the last few decades; for instance, the fact that, apart from the U.S., countries

in Europe which have relied largely on free enterprise and given it the necessary support and encouragement, have achieved not only economic prosperity but also, through realistic fiscal and administrative measures, the socialist dream of an equalitarian Welfare State.

FINANCIAL RESULTS

15. Coming to matters of more direct and immediate concern to us, you may wish me to amplify the brief reference in the Report to the profits and to tell you something about the progress of our expansion scheme and also about the important understanding we have reached with the Tata Workers' Union which was widely publicised in the Press.

16. The financial results of the year's operations were characterised by a decrease of Rs. 34 lakhs in disposable profit largely due to lower sales of ferro-manganese and by the large accretions — exceeding Rs. 4 crores — to the Plant Rehabilitation and Development Fund and the Development Reserve under Government's new retention price scheme. No ferro-manganese were produced during the year under review and as a result the tonnage despatched was some 10,000 tons less than in the previous year. We have up to now been making ferro-manganese in our blast furnace plant and primarily for our own consumption, only the surplus being sold. For operational reasons, ferro-manganese is made intermittently and sales have therefore been themselves intermittent. Last year's sales were exceptionally large. Once the electric ferro-manganese plant which we are now in the process of building at our Joda manganese mines is completed and in operation in the latter half of 1958, ferro-manganese will no longer be made in the blast furnaces, the whole capacity of which will be reserved for the manufacture of pig iron. Some of the output of the Joda plant will be for sale, but in view of our greatly increased requirements for steel making, the tonnage available will be relatively small until the plant's capacity is increased.

17. As shareholders will have noticed, the amounts set aside this year for Plant Rehabilitation and Development and to the Development Reserve exceed the corresponding provisions of the previous year by nearly Rs. 3 crores, of which Rs. 2.28 crores represents the net increase in retention prices after taxes and Rs. 68 lakhs the additional tax saving on the Development Rebate. The increase of about a crore in the provision for taxes is itself mainly in respect of the additional price element.

18. Ever since the war we have protested both to the Tariff Commission and to the Government of India against the excessively low retention prices enforced on the steel industry, which made it impossible for the industry to set aside monies for development or to attract fresh capital. We pointed out that the difference between the retention prices and the imported prices amounted each year to a figure which far exceeded the total value of protection received by the industry during the whole of the seventeen years in which protective duties were imposed. We are happy that at long last Government have adopted a price policy which has enabled the industry to undertake a large-scale expansion.

19. The Development Rebate granted from last year for tax purposes, in accordance with the recommendation of the Taxation Inquiry Commission, will provide out of tax savings a further valuable source of development finance. We are grateful to Government for their realistic policies which will result in immense benefits to the country in the years to come.

TWO MILLION TON PROGRAMME

20. Our expansion scheme, although still largely at the preparatory stage, made considerable progress since the last Annual General Meeting. I then stated that the preliminary studies made of the proposal to increase our ingot capacity from 1.3 million tons per annum, which we expected to reach on the completion of the current Modernisation and Expansion Programme, to two million tons, indicated that the project was sound, could be completed within three years and would require about Rs. 60 crores to be spent on the new plant.

21. Our main efforts in the subsequent months were directed at the two principal objectives of entering into the necessary engineering, construction and purchase contracts and of securing the funds required to finance the project.

APPOINTMENT OF KAISER ENGINEERS

22. The technical preparations were completed in record time. It was clear from the start that to complete a project of this magnitude and complexity under three years would require a high degree of co-ordination of its various parts and phases for which it was essential to place under a single organisation the responsibility for all the engineering, procurement, construction and supervision services. We therefore entered into a contract with two Divisions of the Henry J. Kaiser Corporation of Oakland, California, known for their industrial and engineering experience and their ability to get things done quickly.

23. Even while the agreement with Kaiser's was being negotiated, much of the preliminary work was begun and worldwide inquiries sent out for the major items of plant and machinery included in the programme. The first orders for the principal items, such as the three main rolling mills and electrical equipment, were placed as early as March 1956. A group of Tata engineers were sent to Oakland, the headquarters of Kaiser's, and a Kaiser team began to be built up at Jamshedpur from February 1956. Today some 55 members of the Kaiser Organisation are already at work in Jamshedpur and their number will grow to about 100 at the peak of construction activities. The Indian work force engaged on the project will similarly grow to a maximum of 6,000 men.

24. The completion of the entire project, in a matter of two and a half years will be an unequalled achievement in the industrial field in India. While Kaiser's may have under-estimated some of the local problems and difficulties, we have every hope they will be able to adhere to their time-table.

25. Rail and road transport difficulties, bottlenecks in steel fabrication and congestion in the Calcutta Docks are amongst potential sources of delay which will require constant and sustained attention. On the other hand, our chances of completing the job in time are improved by the co-operation and assistance extended to us from the start by the Ministry of Commerce and Industry and also by the Finance Ministry in general and the Exchange Control Department of the Reserve Bank in particular, in the expeditious disposal of innumerable applications, requests and references submitted to them. We are grateful to them all for their assistance.

PROJECT COST

26. With the disposal of the main technical issues of the project, the procurement of the large funds required to finance it became the main subject of attention and effort on our part. In my speech last year, I

mentioned a figure of approximately Rs. 60 crores as the estimated cost of the new plant. This figure was based on rough estimates which proved considerably accurate, as the final figure including contingencies now comes to Rs. 62 crores. This, however, represents only the estimated cost of the new plant itself, including the cost of all the work and services entrusted to Kaiser's. In addition, a certain amount of related work has to be undertaken departmentally by the Company. This includes such things as site clearing, modifications to existing shops and mills to tie them into the Two Million Ton Programme, the provision of rolling stock and other items. These will cost a total of approximately Rs. 9 crores, spread over a period of four years up to and including 1959-60. In addition, approximately Rs. 2.65 crores will be spent on the collieries and mines and quarries to meet the added requirements of the expanded programme, and about Rs. 2 crores on the electric ferro-manganese plant, to which I referred earlier in my speech. The total thus comes to Rs. 73 crores, which, however, does not represent the full measure of the Company's estimated capital expenditure during the five years from April 1955 to March 1960, as it does not include such items as the cost of completing the current Modernisation and Expansion Programme, annual renewals and replacements, our investments in the Indian Tube Company and a new refractory company and other ancillary schemes.

WORLD BANK LOAN

27. I stated in my speech last year that a great part of moneys to be spent on the new plant would have to be raised in the form of a loan from abroad. In consultation with the Government of India, we kindly agreed to sponsor an application to the International Bank for Reconstruction and Development, popularly known as the World Bank, discussions were initiated with the President and other officials of the Bank in February this year. These were followed by detailed negotiations and the presentation of a formidable mass of data, and finally by the signature on the 26th June, 1956, of an agreement for a loan of 25 million dollars, equivalent to Rs. 36 crores in Indian currencies and on the principal terms mentioned in the body of the Report. A striking aspect of the loan from which we may well derive satisfaction is that it is the largest loan granted up to now by the World Bank to an industrial undertaking anywhere in the world and also the largest single loan granted for any purpose to any country in Asia.

28. While it is true that the loan is guaranteed by the Government of India, the financial strength and credit-worthiness of the Company, painstakingly built up by the conservative financial policies followed all these years, was a major factor in the Bank's ready acceptance of our proposals.

29. One aspect of the negotiations with the Bank which I should like to mention is the remarkable speed at which they were conducted and concluded. We are thankful to Mr. Eugene Black, the distinguished President of the Bank, and to his associates for so kindly expediting, in response to our request, the detailed and complex procedures which the Bank normally follows in disposing of loan applications. Their co-operation was, I believe, another reflection of their confidence in the Company and its Management.

30. This loan and the additional share capital, for the issue of which you passed the necessary resolutions earlier this year, will provide us with about Rs. 60 crores out of the Rs. 73 crores required for the Two Million Ton Programme. The balance of about Rs. 13 crores will be secured from retained earnings available to the Plant Rehabilitation Fund and the Development

Reserve between 1955-56 and 1959-60 and, from further borrowings. The funds required to finance the other items of capital expenditure, to which I have referred earlier in my speech, will be met largely from internal resources and borrowings.

AGREEMENT WITH THE UNION

81. A brief reference has been made in the Report to the conclusion during the past year of a comprehensive agreement between the Company and the Tata Workers' Union. This Agreement, which seeks to place the relationship between the two parties on a still firmer foundation of goodwill and mutual security, sets out the rights and obligations of the Company and the Union and records agreement on a number of outstanding issues. A special feature of this Agreement was that it contained an important declaration of intention to bring about a closer association of employees with Management in the working of the industry.

ASSOCIATION OF EMPLOYEES

22. In furtherance of that provision, the Company and the Union subsequently held further discussions and reached complete agreement on the subject. Under a Supplemental Agreement signed on August 4th, the considerable machinery already in existence at Jamshedpur for joint consultation will be rationalised and, with the exclusion of matters concerned with collective bargaining or grievance procedures, will be brought within a three-tier structure of Consultative Councils. These will be set up for all departments of the plant, for the Works and the Town as a whole, and finally, at the top Management level where a Consultative Council of Management will provide a meeting ground for consultation and for an exchange of views on the general working of the Company and the industry. While the functions of these Councils will all be of an advisory character and Management will remain, as before, in control of the Company's affairs, due weight will naturally be given to the views and recommendations of the Councils.

33. The subject of associating employees with Management is admittedly a difficult and controversial one. It has been the subject of considerable attention and discussion on the part of Government and the Planning Commission who have expressed themselves in favour of the principle, and also of the Joint Consultative Board of Industry to whom the task of formulating specific proposals has been entrusted.

34. The question whether the Company should not have waited until an all-India policy had been evolved on the subject was discussed by the Company's Board who ultimately decided to ratify the draft agreement. This decision, which I am convinced was right, is in consonance with the accepted view that freely negotiated agreements are much to be preferred to imposed settlements. The Agreement was negotiated in a fine spirit of mutual frankness and co-operation and represents an honest attempt to devise means of understanding each other better and working closer together. I have every hope that it will prove workable in practice, provided both parties respect the intentions, recorded in the Agreement and try to read into its provisions neither more nor less than they contain. This will apply particularly to the Joint Consultative Council of Management.

35. So far as we are concerned, we shall not seek to fetter the discretion of this Council in discussing such matters as will enable its members, and particularly those representing labour, to acquire a better under-

standing of the industry and its problems. At the same time, the Company has no intention of surrendering its managerial functions and responsibilities. I for one do not believe in the concept prevalent in some labour circles that factories, whether owned by the State or by shareholders, should ultimately be handed over to workers who would provide both the labour and management of the enterprise. In my opinion, such a view is both unsound and impractical, and its pursuit can only lead to barren disagreements and ultimate disillusion.

36. The Management of mechanised industries is becoming more and more complex and requires increasingly high standards of technical and administrative experience and competence. Any worker, however humble his beginnings may have been in the industry employing him, should have the opportunity of rising in the organisation, his progress being determined by merit and his ability to discharge his allotted responsibilities. But this obviously implies that at a certain stage such a worker leaves the ranks of labour and becomes part of Management. This is a very different proposition from that of handing over the management of a factory to the workers collectively.

37. I hope therefore that time and energy will not be wasted in a fruitless pursuit of the concept of workers' management which is unworkable, except possibly in very small-scale industries run on co-operative lines.

THE JAMSHEDPUR COMMUNITY

38. Having said that, I should perhaps mention that somewhat different considerations may apply to functions concerned primarily with the fulfilment of individual and social life within the industrial community as distinct from functions and activities directly concerned with production, sales, finance or administration. Jamshedpur is for our employees a place in which to live as well as to work. The Jamshedpur community is now nearly half a century old. Many of its members were born, have taken up jobs and founded families there, and I believe there is ample talent, interest and civic sense to be found among them which could be harnessed to constructive and responsible work of a civic nature. For instance, many of the activities of the city could well be guided by its own citizens within clearly laid down budgets and procedures. So long as the Steel Company furnishes the funds required for running the town, it would naturally retain financial control. Real democracy works from the roots up and we, as a Company, should welcome and encourage opportunities to develop the democratic qualities involved in collective work selflessly undertaken in the interests of the community.

39. To sum up, I feel that in entering upon these agreements with the Union, we have crossed the threshold of a new era of co-operation and goodwill in our relations with our employees at Jamshedpur. We have not undertaken this experiment in a vainglorious desire to be pioneers or to set ourselves up as an example to others. We have done so in a spirit of humility.

40. We have already come a long way in developing sound industrial relations at Jamshedpur for which I feel both the Management and the leadership of the Union deserve credit. We have not by any means solved all our problems; discipline, morale and productivity are not yet what they should be. No doubt, our standards of management themselves can be further improved; but I think it can be said that the present Management of the Company and of the Union have the will to co-operate for the good of the industry

and the country as a whole. I am confident that with this background the experiment is well worth trying. If we succeed, nothing but good can come of it for all concerned, including shareholders and employees. If we fail, little harm will have been done so long as the failure will not have been due to lack of goodwill.

41. We shall in the next few years have many difficult problems to face as a result of the expansion of our plant and operations. I believe the burden will

be the lighter for its being shared by those who work for and with us.

42. Ending on this note, I should like on your behalf to thank all the members of our Management, staff and labour force throughout the Organisation for the excellent work they have put in during the past year.

NOTE: This is not a report of the proceedings at the above Annual Meeting, of which proceedings a separate report will be published.

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Samastipur Central Sugar Company Ltd.
Saran Engineering Company Limited

Secretaries of:—

The Beta Picker Co., Private Ltd.

PRINCIPAL AGENTS FOR:

THE ROYAL EXCHANGE ASSURANCE



CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)				
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..	
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..	
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	
1950-51	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..	
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..	
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..	
1953-54	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	113.9	
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.9	
1955-56	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.5	
January 1956	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7	
February	335.3	461.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0	
March	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0	
April	360.0	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0	
May	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8	
June	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1	
July	380.2	492.2	395.2	385.5	560.3	409.2	91.2	100.5	85.3	125.2	
Week Ending											
28-6-1956	374.6*	480.6	395.6*	377.9	522.5*	401.7*	91.3	100.5	85.3	125.5	
30-6-1956	374.0	481.8*	395.5	377.0	545.4	402.2*	91.2	100.5	85.3	124.8	
7-7-1956	374.9*	490.9	395.1	385.1	560.8	407.7*	91.2	100.5	85.5	124.7	
14-7-1956	377.3*	487.8	393.4	385.4	557.7	406.8*	91.2	100.5	85.5	124.7	
21-7-1956	382.3*	493.2*	394.9	386.0	560.8	409.9*	91.1	100.4	85.2	125.7	
28-7-1956	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.3	
4-8-1956	391.5	493.2	400.4	385.7	563.7	413.8	91.0	100.3	85.2	126.7	
11-8-1956	397.7	497.4	405.0	387.2	567.0	417.9	90.9	100.3	85.4	127.0	
18-8-1956	401.1	505.1	409.5	388.0	564.6	421.1	90.8	100.4	85.3	127.9	

†Economic Adviser's Series.

‡Average of weeks.

††Reserve Bank Series.

Revised*

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

Period	Bombay		Delhi		Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†		
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956 September	317	333	224	133	327	373	367	133	322	138	137	132
October	316	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	136
December	316	332	230	140	329	393	375	143	334	148	141	135
January	318	334	226	139	319	404	378	146	334	147	138	133
February	321	337	224	137	315	394	385	142	333	146	132	133
March	334	350	230	139	325	398	387	145	340	148	142	138
April	342	358	239	140	338	409	397	—	354	—	—	142
May	341	357	236	141	342	408	397	—	356	—	—	143
June	342	358	240	141	350	419	—	—	365	—	—	148
July	338	354	244	—	—	436	—	—	369	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	31-8-1956			24-8-1956			17-8-1956			10-8-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola	103 11	102- 7	102 14	104- 8	103- 6	103 15	105- 5	103-10	104- 7	104- 0	103- 0	103 9
Silver (per 100 fine tolas)	172- 9	170-13	171-12	73- 5	171-11	172- 8	173-10	171-14	172-10	173-10	170-10	171-15

September 7, 1956.

THE EASTERN ECONOMIST

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RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.86	28.28	210.64	44.42	66.95	111.37	52.91	87.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)	(—)	(—)	(—)	(—)	(—)	(—)	(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	60.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	66.98	498.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	664.40	704.42	61.64	80.22	458.08	1,142.72
1953-54*	1,133.95	23.08	1,157.03	40.02	694.02	734.04	63.48	92.83	430.11	1,157.03
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	688.92	56.47	102.25	428.61	1,219.17
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.88	553.20	1,356.47
Average of Fridays										
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	574.69	1,400.73
February	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	603.24	1,411.56
March	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
April	1,509.83	15.96	1,525.79	40.02	682.69	722.71	47.38	106.38	696.21	1,525.79
May	1,516.70	13.36	1,530.06	40.02	681.45	721.47	47.16	104.89	703.91	1,530.06
June	1,496.60	22.32	1,518.92	40.02	662.53	702.55	46.28	105.59	710.68	1,518.92
July	1,465.35	21.91	1,487.26	40.02	624.16	664.18	44.51	109.49	718.59	1,487.26
Week Ending										
27-7-1956	1,444.28	32.99	1,477.27	40.02	616.68	656.70	44.45	111.96	708.62	1,477.27
3-8-1956	1,447.15	30.29	1,477.43	40.02	616.68	656.70	44.45	112.12	708.62	1,477.43
10-8-1956	1,451.78	25.95	1,477.73	40.02	616.68	656.70	44.44	112.42	708.62	1,477.73
17-8-1956	1,445.44	23.65	1,469.09	40.02	606.68	646.70	44.02	113.77	708.62	1,469.09
24-8-1956	1,431.62	24.05	1,455.66	40.02	606.68	646.70	44.43	115.26	693.72	1,455.66

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.95	47.24	2.02	406.95	1.57	21	81.53	4.96
1948-49*	222.17	6.62	80.53	56.52	365.22	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.55	6.14
	(14.33)	(8.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	2.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.39	15.95	58.68	69.22	325.15	18.62	358.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	260.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.93
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	9.10	87.53	1.14	26.55	80.52	9.32
1955-56*	60.11	19.85	53.77	18.31	152.04	35.69	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
Average of Fridays														
January 1956	53.56	12.51	59.90	17.49	142.63	41.28	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February "	61.12	13.65	56.38	16.85	147.00	49.59	206.59	9.27	9.50	72.81	3.41	53.41	49.71	14.40
March "	57.51	37.22	49.25	16.93	159.51	48.99	220.30	11.26	9.53	65.31	1.60	3.88	39.44	7.33
April "	56.21	30.15	52.14	17.16	155.66	48.82	214.48	14.64	18.35	54.48	1.34	65.52	45.55	18.12
May "	61.44	10.27	50.36	13.04	135.11	63.24	198.35	13.48	9.79	55.69	2.36	81.42	37.02	18.61
June "	56.43	8.33	51.92	12.97	129.65	67.81	197.46	22.42	8.94	31.55	3.94	73.96	37.75	18.89
July "	66.46	8.06	52.39	12.23	139.15	67.81	196.96	27.03	5.24	43.55	4.02	63.43	45.80	7.93
Week Ending														
20-7-1956 ..	83.42	13.69	53.01	11.89	162.01	58.11	220.12	25.34	3.98	47.96	4.64	71.63	59.19	7.40
27-7-1956 ..	76.16	6.84	53.35	12.22	148.56	58.02	206.58	33.15	3.46	42.75	5.16	65.64	40.39	7.31
3-8 1956 ..	61.05	5.86	47.90	12.22	127.02	58.60	185.68	30.38	2.41	36.79	5.04	55.37	49.41	6.27
10-8 1956 ..	54.04	9.38	51.04	11.88	126.35	59.32	185.67	26.04	98	32.02	7.08	63.85	49.41	6.28
17-8-1956 ..	53.72	5.58	53.44	11.92	124.66	61.18	185.84	23.81	2.33	34.39	7.30	60.79	50.12	7.09
24-8-1956 ..	61.58	5.70	55.44	12.50	135.23	44.90	180.13	24.24	3.00	28.79	7.64	64.98	50.12	11.34

THE 'EASTERN ECONOMIST' INDEX OF INDIAN BUSINESS ACTIVITY

(Year Ended August 1939=100)

	Industrial Production	Imports	Exports	Merchant Shipping		Cheque Clearances	Notes in Circulation	Inland Transport	General Index
				Entered	Cleared				
Weights	46	3	3	1	1	18	5	23	100
1939-40 ..	110.3	95.2	100.3	91.1	91.4	101.8	97.9	102.9	105.2
1940-41 ..	114.2	74.9	84.4	60.5	65.7	93.2	112.8	111.0	105.7
1941-42 ..	123.2	68.7	91.0	51.8	66.7	99.1	119.2	128.5	113.5
1942-43 ..	125.5	35.7	59.5	33.0	34.3	86.2	170.6	123.5	108.0
1943-44 ..	126.8	36.1	50.9	36.7	27.1	93.5	186.7	124.7	111.5
1944-45 ..	121.7	66.1	50.7	61.4	36.4	114.0	225.4	124.6	117.0
1945-46 ..	120.0	73.3	59.1	63.6	37.7	117.2	269.7	128.1	119.7
1946-47 ..	105.0	67.1	61.8	51.4	48.5	128.6	252.3	118.5	111.9
1947-48 a ..	105.9	85.0	65.2	69.7	62.8	101.3	227.5	98.4	104.0
1948-49 a ..	115.9	91.2	53.2	48.3	69.3	87.1	195.9	100.8	107.3
1949-50 a ..	109.5	99.1	58.3	82.5	67.9	77.8	178.2	121.4	104.3
1950-51 a ..	104.0	90.1	65.5	81.9	75.6	78.5	182.6	133.7	104.9
1951-52 a ..	115.4	115.6	53.0	92.4	75.8	87.3	180.3	140.8	114.6
1952-53 a ..	121.3	85.6	60.9	87.8	95.8	81.6	194.3	144.1	115.9
1953-54 a ..	121.8	82.4	60.4	89.9	106.0	79.9	193.4	141.4	115.0
1954-55 a ..	151.9	93.8	74.4	99.8	96.0	83.7	200.4	154.5	133.4
1955-56 a ..	163.0	103.5	81.4	94.1	87.9	102.1	236.2	170.6	147.1
April 1954	145.0	85.3	52.7	64.6	95.8	86.8	193.0	134.6	129.4
May ..	140.1	93.2	62.7	88.3	94.3	78.3	196.2	142.7	127.0
June ..	146.0	80.8	66.7	92.0	90.2	76.3	199.6	136.4	127.7
July ..	150.5	97.0	73.5	92.3	91.5	82.1	194.3	141.8	131.8
August ..	147.4	83.1	72.3	81.6	79.6	80.3	191.7	149.3	131.6
September ..	152.5	87.5	76.0	90.2	90.1	89.3	190.9	145.9	136.1
October ..	141.6	96.8	70.0	100.2	106.1	79.1	193.9	149.8	131.2
November ..	160.9	108.9	93.1	104.4	129.9	97.8	197.4	153.5	142.0
December ..	165.8	90.6	83.9	86.0	97.6	102.8	207.5	164.2	146.0
January 1955	150.9	99.1	77.4	99.7	100.1	96.3	213.6	168.7	139.5
February ..	158.7	104.1	73.1	87.9	84.2	96.8	218.4	164.6	141.8
March ..	163.7	99.0	90.7	110.5	92.4	118.6	229.6	203.0	158.4
April ..	167.2	91.7	68.5	87.3	75.2	104.0	242.1	150.2	143.8
May ..	153.6	86.7	78.1	90.9	88.6	102.2	246.7	161.2	140.8
June ..	157.3	99.3	76.6	95.5	86.7	97.7	245.5	155.6	140.6
July ..	159.3	95.3	82.8	102.9	89.8	98.1	234.1	167.8	144.0
August ..	156.1	85.8	87.2	93.2	89.9	100.3	231.5	162.3	141.7
September ..	166.7	90.4	93.0	90.4	80.8	108.7	232.6	158.6*	147.7
October ..	161.6	93.6	76.0	96.8	76.0	96.3	232.4	162.9*	142.7
November ..	165.3	117.2	79.8	93.7	75.9	103.0	231.6	167.0*	147.8
December ..	176.6	108.3	85.3	97.7	81.6	108.9	233.4	178.7*	156.4
January 1956	156.4	111.1	72.2	95.6	83.3	86.2	233.2	183.5*	142.2
February ..	171.0*	127.7	81.2	111.6	118.1	110.8	234.8	179.1*	156.2
March ..	165.0*	135.5	95.5	103.7	109.3	109.3	236.6	220.8*	161.7

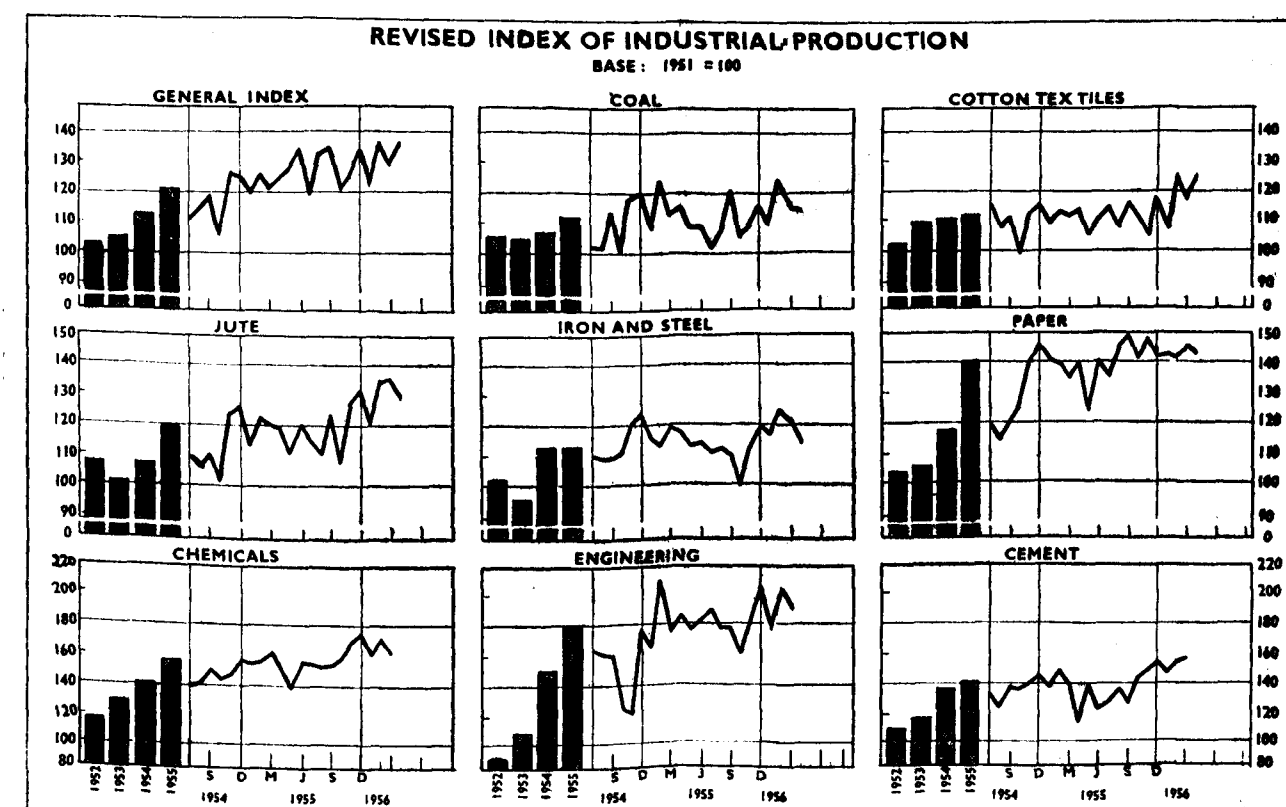
* Provisional

The interim index of industrial production substituted from April 1954 onwards in place of *The Eastern Economist* index of industrial production.
a: Averages of months.

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen. Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
		2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ..	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.8
1953 ..	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.5	115.8	96.7	113.1
1954 ..	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.1	127.2
1955 ..	121.9	111.4	111.3	117.3	108.4	118.9	159.0	140.4	113.3	183.3	140.2	143.0	105.2	131.5
September 1954	118.9	112.4	110.4	115.1	108.0	110.8	149.6	137.6	109.6	159.9	119.8	188.4	109.2	133.8
October ..	105.9	100.2	98.6	104.6	95.6	101.9	144.0	137.1	110.9	125.8	124.7	135.9	100.5	125.7
November ..	125.8	117.8	112.2	118.4	109.1	124.0	147.7	140.2	120.4	170.9	138.6	247.6	98.1	135.9
December ..	125.1	120.2	115.6	121.1	112.8	126.8	158.2	146.6	123.1	176.2	145.9	143.2	104.5	134.4
January 1955	119.4	108.1	109.4	114.2	107.0	113.2	155.9	138.8	116.3	165.8	141.0	125.0	134.6	133.1
February ..	126.1	123.4	112.6	119.0	109.4	122.7	156.2	148.3	113.6	211.6	139.3	114.5	142.8	139.4
March ..	121.5	113.3	111.8	114.6	110.4	120.4	161.1	140.0	119.3	175.8	134.8	138.6	98.0	139.3
April ..	124.8	114.6	112.5	116.0	110.7	119.8	152.3	115.6	117.0	187.6	138.9	230.0	88.7	142.8
May ..	126.8	108.9	105.6	110.9	103.0	110.8	139.7	138.2	112.8	177.8	124.4	389.0	99.2	141.1
June ..	133.1	109.0	110.5	116.0	107.8	120.3	156.8	125.4	113.6	184.3	140.4	385.6	108.5	148.9
July ..	119.8	101.4	115.0	120.1	112.5	115.4	155.9	128.6	111.3	190.6	134.7	64.7	122.7	145.7
August ..	131.6	107.0	107.5	114.5	104.1	111.6	154.7	137.6	112.0	174.9	143.2	412.4	104.6	141.9
September ..	134.2	119.7	115.4	121.5	112.3	123.7	154.9	129.3	110.1	178.5	149.7	349.3	106.4	148.9
October ..	121.2	105.9	110.8	118.8	106.8	107.8	159.5	144.2	100.3	160.7	142.1	210.7	103.4	144.3
November ..	125.0	109.8	105.0	114.9	100.1	128.2	120.8	151.2	113.3	182.8	147.7	213.2	170.1	150.5
December ..	132.2	116.2	119.4	126.0	116.0	132.5	174.4	155.9	119.5	205.3	142.3	160.0	108.4	157.5
January 1956	122.6	109.6	107.4	112.0	105.1	120.8	163.7	147.7	116.4	178.8	142.5	133.2	115.2	151.8
February ..	136.6	123.1	126.1	122.9	127.8	134.8	172.4	155.2	124.6	203.3	141.2	127.2	122.8	160.7
March ..	130.7	115.3	118.3	114.9	120.1	135.2	163.4	154.5	121.1	203.5	144.5	151.3	97.0	160.4
April ..	136.7	114.2	125.2	122.1	126.8	131.9	158.3	150.3	116.2	184.8	142.9	294.3	84.0	161.8
May ..	113.7	..	..	..	..	138.1	..	154.4	114.5	..	146.9	603.3	111.4	..



* General Engineering including Electrical Engineering. Source: Directorate of Industrial Statistics, Calcutta.

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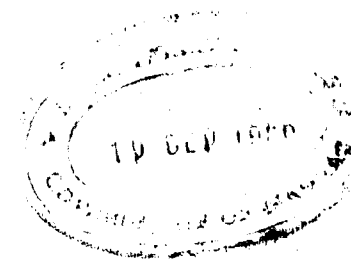
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The Eastern Economist



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ONE RUPEE

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The Brink of War

IS the world at large, or at least the Middle East, on the brink of war? Events this week have taken on a reckless aspect, which has made India, among many countries of the world, fearful of what the Prime Minister described as a "grave risk of conflict". The words "very, very grave" were used twice by Mr. Menzies when leaving Cairo earlier in the week after the failure of his conversations with President Nasser. The suddenness of the Anglo-French demarche has, however, both shocked and surprised the East. It was known that there would be a strong reply from the United Kingdom and France. But the proposal which Sir Anthony Eden advanced in Parliament of a 'Users' Association' is, as the Prime Minister said in the Lok Sabha on Thursday, "one with consequences that might well be very grave". It was clear from Mr. Gaitskell's speech that it was not only Asians and Africans who see the grave

danger in these proposals. It is difficult to conceive of its enforcement without acts of war. What, if any, are the merits of this strange proposal?

It has not even the virtue of what the Prime Minister described as an 'imposed solution'. It will solve nothing and it cannot, in fact, be imposed. It may be that for a short period pilots on ships at the ends of the canal will be able to negotiate the channel, but the pilots themselves are reported to have said that basing them outside Egypt, and without defence, or otherwise, of Egyptian law, would involve a situation which is impracticable over the long period. It cannot be that a proposal to which at least three great nations—the United Kingdom, USA and France—are parties could be so impracticably conceived. Yet that seems at the moment to have been the case. It is, therefore, argued either that this is

another development in the war of nerves, meaning that it will always fall short of full implementation or, alternatively, it is merely a foil to drive the issue to a conclusion by force. In either case, therefore, the 'Users' Association' proposal will be still-born. If it changes the politics of the canal, it will be doing exactly the opposite of what it proposes, namely, freedom of navigation.

It is difficult, situated in Delhi, to ascertain why this impetuosity is being shown in London and Paris. The Indian view is that, after the Menzies Mission and the statement made by the Egyptian Government accepting its international obligations and inviting further negotiations, the way lay open to a settlement. Here, as indeed elsewhere, we may have too readily assumed that "national sovereignty", which we constantly emphasise, can be reconciled without any difficulty with "international obligations", which we also advocate. They are not, however, always part and parcel of the same thing. It does, however, seem from the Egyptian President's letter to Mr. Menzies that there is no blank wall in Cairo. Willingness to negotiate a new convention does, in fact, contain promise, and it seems unwise for any country, or for the world at large to decline such an offer. Why has this been done and the threat of force presented so early?

There can be no reasonable doubt that it is the hysteria presented by certain sections of public opinion both in Britain and in France which is preventing the heads of these Governments from a course of action which we consider so eminently reasonable. It is difficult for us in India to appreciate the power of public opinion whether in Egypt or in the United Kingdom and France. At the moment it is intractable public opinion on both sides which is the supreme obstacle. This public opinion, not as is often believed in India, is entirely a matter of the governing party. The position on the confidence vote in the UK Government—319 to 248—does not imply that all opinion in the Labour Party is against sanctions against Egypt. National pride has been injured and may seek an escape in hostilities, ignoring the point that war in 1956 always raises more difficulties than it can possibly resolve.

The immediate point is that war should be averted, and that both sides should be given an opportunity to consider what they have gained by their present intransigent attitudes. So far as the West is concerned, there is no doubt that, even if the Cape route is employed sufficiently to obviate cessation of shipping, the strain and difficulties will be very large because of the shortage of both merchant shipping and tankers. This is in a sense a temporary shortage, but it may involve a dislocation far greater than is currently assumed. So far as Egypt is concerned, the diversion of substantial shipping by the United Kingdom, United States and France alone would prevent profits of any kind from being earned by the nationalised Egyptian Company. Indeed it would run the Company into a heavy loss. This is President Nasser's Achilles' heel. He cannot hold the West to ransom.

In view of the fact that the West has this opportunity of bringing home to President Nasser the advisability of his coming to terms with his past customers, one is the more surprised at the bellicose tone of the British Prime Minister's first statement. This statement has been modified in

the reply to the debate, and force is not now to be used except after a reference to the United Nations. But the tone is coercive, and is a sign of impetuous weakness as though the West thought it would lose in a prolonged struggle. No other reason can be found for the indecent haste that has been shown. In fact it is Egypt which will find the long-period struggle impossible. In part this is because it will accelerate a large movement which is already under way.

Careful readers may have noticed, for example, in the Petroleum Press Service for August 1956 that the character of tanker economics has changed in the last year. The standard size for large tankers is now being set at between 30,000 to 40,000 tons as the most economical average size for tankers of a modern fleet. The economies of size are thus compelling. The change-over to supertankers will be accelerated manifold by difficulties in the canal. It has been estimated that the advantages of the super-tanker are considerably greater than anything that can be obtained by cutting the distance from Europe to the Middle East through the canal. Since two-thirds of the canal's revenue comes from tankers, the significance of this development should be clear.

We, in India, have an interest not only in the maintenance of peace which is urgent for all nations. As a friend of Egypt it is our duty to warn her of the unwisdom of a protracted struggle which will bear down heavily on her economy. It is certain that a major diversion of shipping from the Suez Canal area would eventually break the Egyptian economy and, inevitably, with it the popularity of its dashing President. It is important that we should not, in search of sentimental phrases like national sovereignty fail to recognise the risks that Egypt runs if transit through the canal is avoided.

Again, there is a national angle too obvious to be stressed. India has a major interest in the reduction of freight costs which enter significantly into the Plan. It is greatly to be feared that whichever operation is adopted to attempt to break through the Suez Canal dilemma, freight rates are destined to rise and with it the cost of our Plan. Since substantial freight rates will need to be paid in foreign exchange, it is very necessary that we should do nothing to imperil the covering of our foreign exchange gap by actions committing us heavily to either side. If sentiment inclines us towards Egypt, hard economics should turn us the other way.

Whether or not we have maintained a nice balance of neutralism in the present matter, it is becoming increasingly clear that the choice, viewed from abroad, is one-sided. It is advisable that India should maintain strict neutrality, both because it is in her national interest to do so and because it will be easier for her to intervene at a latter stage if the issue takes on an intractable turn, requiring the assistance of a trusted mediator. There has already been too much uninformed comment on the character of Indian interests in this matter. It is time that we thought more particularly of the implications of the temporary closure of the canal on our economy. This is much more likely immediately than war; in any case the Plans, like the poor, are always with us. Indeed, peace is not as much an end as a means; for we need peace for the Plan. It is thus twice blessed; it floweth on our Plan as the gentle rain from Heaven.

The Permanent Way

THE accident to a passenger train which occurred near Hyderabad early this month was undoubtedly a major disaster in the history of Indian railways. It took a heavy toll of human lives mounting as high as 117. Accidents of greater magnitudes involving higher fatal casualties due to collapsing of bridges are on record elsewhere. It must not be ignored that Indian railways have maintained a fair tradition of safety comparable to railways in other countries with established standards of overall efficiency including the United Kingdom and the United States. Nevertheless, recent recurrence of accidents at intervals has proved a source of concern. The Hyderabad accident which is being investigated by the Government Inspector of Railways calls for findings on highly complex issues of a technical nature as well as issues of the liability of the human element by reason of the fact that this bridge with a length of merely 20 feet across a small rivulet was the subject of constructional damage twice in a matter of four weeks. But the Prime Minister's forthright assurance in response to a demand for a judicial inquiry that it may be instituted if justified by the report of the Government Inspector of Railways ought to fortify confidence in the Government's determination to place considerations of safety on the railways above any other considerations.

Apart from the material factor of safety in travel, accidents have a vital bearing on the flow of traffic in consequence of the injury they inflict upon equipment and assets. The extent to which the permanent way has been subjected to dislocations and interruptions has not been appreciated as fully as it should, probably because the issue of risk to life and property has usually tended to overshadow other issues. Technical niceties of official classification of accidents may be overlooked in an appraisal of the impact of accidents on the permanent way and accidents to bridges need not be treated as a separate category. Since the beginning of the first Five-Year Plan accidents due to failure of the permanent way, unlike the declining trend of accidents in the aggregate, did not show any substantial improvement except in the third year of the Plan. The annual average number of accidents was 210 during the first four years of the Plan. The numerical criterion, however, is no index to the damage caused to railway capital assets. The maximum number of accidents arises from failure of engines and rolling stock whose annual average in four years was 5,750. What is significant, however, is that the incidence of cost of damage caused by accidents to the permanent way has been excessively high in relative terms. In the case of the permanent way it is half of the cost for rolling stock. This is the genuine indicator of the repercussions of accidents on the permanent way since it serves as a broad measure of the potential interference with traffic.

Could it be said with confidence that the railway administrations are taking adequate precautions within their means to avoid the possibility of accidents in so far as this is possible with the exercise of due foresight? Mechanical aids of proved value have been at the disposal of railway administrations for a number of years, but not enough vigilance and care have been shown in enforcing their regular use. The Kunzru

Committee's pressing recommendation for strict insistence on obtaining the records of the condition of track at least twice a year with the aid of Hallade track recorders or test cars and placing these records with fuller instructions in the hands of the permanent way supervisory staff has not been acted upon and in recording this finding the Estimates Committee has underlined the urgency of rectifying the lapse without delay.

Evidence tendered on behalf of the Railway Ministry before the Estimates Committee last year singles out the "human" element as the main cause of major accidents. It is, however, a poor commentary on the response of labour and other staff to the generous treatment accorded by the Railway Board with indulgence in the post-war period that they should find themselves unable to raise the prevailing morale to bring greater efficiency into the operation of railways. It serves no purpose merely to point out the general lack of a sense of responsibility and of discipline in the discharge of duty when incentives that are being provided leave little room for the persistence of such a temperament. It would appear not only essential but obligatory for the Railway Ministry to take stock of its policy on staff and consider in all earnestness whether the kind of softness shown in the Kalka strike is conducive to a better sense of discipline and responsibility.

Avoidance of accidents is only one component that goes to safeguard the strength of the permanent way. The deeper truth in the situation is that the heavy backlog of renewals of track which has been allowed to mount up since the war has not been cleared and in the meantime normal requirements of renewals are adding to it. There was a shortfall of about 9 per cent in the outlay on track renewal in the first Plan mainly attributable to short supplies of steel. The rate of renewal showed a progressive decline of not less than 25 per cent in total mileage in the fourth year. The ultimate effect of rising arrears is seen concretely in the imposition of speed restrictions on trains which exceeded the mileage at the start of the Plan and reached the level of 1,800 miles at its end. In terms of broad ratio, 5 per cent of the route mileage is now under regulation, reducing the turnover of traffic at a time of continuing shortage of rolling stock.

The cumulative demand of the individual railways for allotment on track renewal was pruned by the Railway Ministry to a total of Rs. 125 crores enough to cover 10,000 miles of track. This outlay has been cut down unwisely to Rs. 100 crores which is bound to nullify much of the benefit, for track repairs, of the larger supplies of steel to be placed at the disposal of the railways. The race between clearance of arrears and accumulation with additions of annual accruals puts the position in the correct perspective. While 8,000 miles will have been renewed, the outstandings will be 5,000 miles. The condition of the permanent way to bear the pressure of heavier traffic in the next five years will be an important ingredient in the shortage of transport capacity. It is time the Transport Ministry fought for its essentials in the maintenance of the permanent way.

Vanishing Trade in Viet-Nam

SOUTH Viet-Nam has put a partial ban on foreign firms and foreign individuals engaged in business activity in that country. A laconic news agency report from Paris makes the surprise announcement that President Ngo Dinh Diem promulgated a decree to that effect last week. The ban is selective in the sense that participation of foreigners has been excluded from certain specified categories of trade. Its net effect is to eliminate foreign ownership and management of a wide range of retail trades. Selective application of the new policy of exclusion of foreigners is presumably designed to create larger scope for employment of nationals in a sphere in which they had hitherto shown little aptitude and interest. This questionable technique of opening up employment opportunities is very likely inspired also by a strong motive to rid the economy of the hold and influence of those with whom the country has not only no political sympathy but positive antagonism. By far the largest number directly affected—about one million—consists of Chinese traders. India's concern, however, has been caused by the fact that quite a number of Indian business men will be axed. These persons, it must be noted, had developed exclusive interest in trade alone. Their ouster will add to the ticklish problem of displacement of Indians from certain countries of South-East Asia and South Africa.

It is hardly pertinent to recall the antiquity of Indian emigration to Indo-China. In the modern context, the re-entry of Indians dates to the latter half of the last century. Enterprising and energetic communities of Indians had settled practically in all the countries of South-East Asia and in the era of Western colonial domination they carved a niche for themselves in small trades. Their large movements to Indo-China were the direct outcome of deliberate inducement offered by the French authorities, particularly to Indian merchants settled in Singapore. There is a touch of irony in that common element in the situation which evoked French interest in Indian traders and the situation responsible for the national government's policy resulting in the expulsion of Indian traders. That common element is the Chinese trading community whose tightening hold on Indo-China's small business economy induced the policy of encouraging Indian immigration and whose apprehended subversive influence is undoubtedly a major cause of the policy now to be enforced.

At its best, the number of Indians in Indo-China never exceeded 5,000 before the last war, while their present strength in South Viet-Nam is much less than half of this number. The heaviest concentration, about 1,500 strong, is to be found in the capital city of Saigon, with a sprinkling in a few semi-urban centres. Sixty-five per cent of the population of Indian settlers is drawn from South India, consisting of Chettians engaged primarily in their traditional land and money lending businesses and Muslims carrying small or medium trades. The bulk of the residue, representing about 25 per cent, is accounted for by Sindhis. It is tragic that Indians, who gave of their best in building the economy of South Viet-Nam at the medium level and who studiously refrained from intermeddling with the politics of the country, should be victims of the vagaries

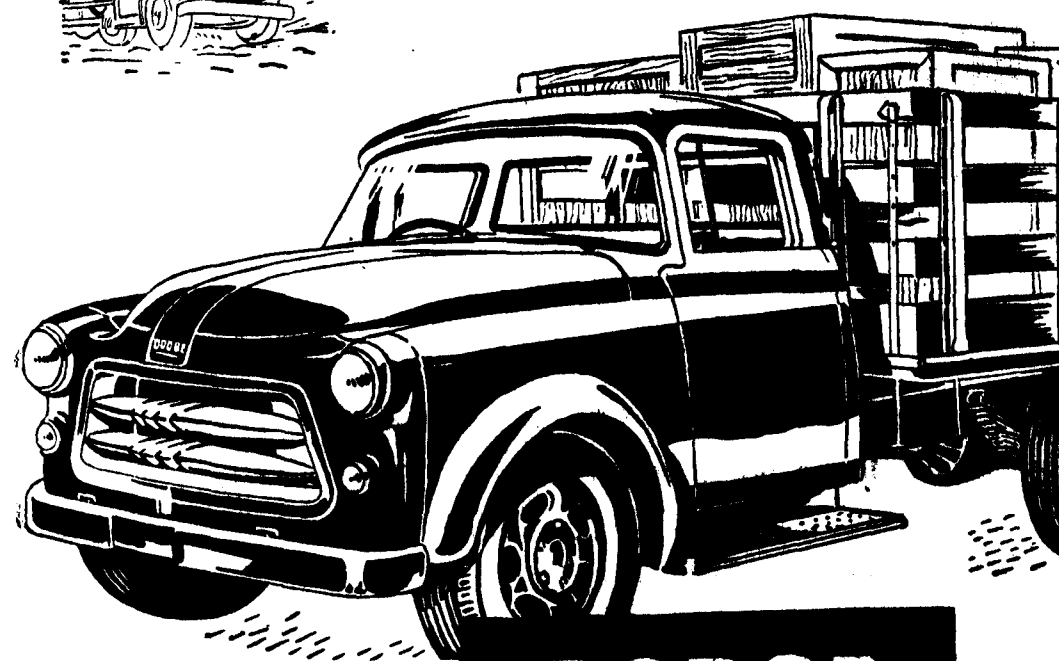
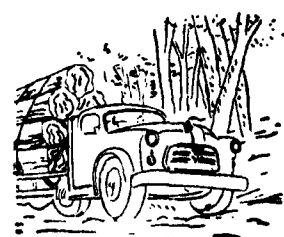
of a policy for which they are not even remotely responsible.

The new decree prohibits foreign concerns, functioning either on a corporate or individual basis, from continuing any trade in groceries, grain, coal, oil, fish, meat, scrap metals and surface transport. An omnibus term which has been added to this list of prohibited trades enjoins that foreigners will not conduct any business on commission. This term is as vague as it is comprehensive and the extent to which it will exclude foreign trading activity in spheres other than those specifically mentioned will be conditioned by the interpretation to be put on it in administrative execution of policy. Precise appreciation of the consequences of the ban can be had only after full details of the decree are available. But the possibility cannot be ruled out that the blanket clause against business on commission may impinge on foreigners' participation in large-scale import trade.

An assessment of the new policy and its probable impact must necessarily take note of the broad features of the trade and external payments position in South Viet-Nam. Since the last calendar year about four-fifths of the imports are being financed out of the American economic aid funds. There is nothing surprising in this feature since it can be easily appreciated that excessive reliance on foreign assistance is inevitable for a country which has still to emerge from a protracted political upheaval and overcome the aftermath worsened by the threat of Communist subversion. The loss of the rice bowl, the richest delta region, to Viet-Minh has created an acute problem of foreign exchange for South Viet-Nam inasmuch as rice is the ace export. Goodwill and co-operation of friendly foreigners are more necessary at this time than at any time before. If security against political subversion was one prime motive behind the ban, it could have been ensured by a system of business licensing to those above suspicion. But far from adopting a sound selective principle, South Viet-Nam has adopted a policy of total displacement of foreigners, albeit in limited trade spheres. Such an ultra nationalistic attitude cannot but cause fear about the future and it would not be unreasonable if apprehensions are entertained that the new policy may prove to be the thin end of the wedge, driving deeper into the remaining fields of economic activity. It is highly doubtful whether the long-term effects on external investment psychology have been properly weighed.

Curiously enough, this ban comes at a time when an official trade delegation from South Viet-Nam has come to this country. India's exports to that country consist mainly of cotton and silk textiles and to some extent of jute manufactures. Their value is more than eight times as high as the value of her imports. While a larger volume of trade will be welcome, the crux of the delegation's task is to offer a solution to the deficit and eventual payment. There cannot be any doubt that the latest developments will not be allowed to affect the Government of India's attitude to the delegation. A co-operative approach may soften, or at least halt, the anti-foreign bias in South Viet-Nam.

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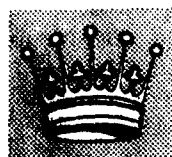
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THE WEEK'S NOTES

FAITH AND FOOD TARGETS

THE BATTLE of percentages in the matter of agricultural production targets is continuing, and Prime Minister Nehru has entered the lists with his own inimitable lead. A little more brainpower and muscle power, he thinks, would do the trick and increase agricultural production by at least 30 per cent during the second Plan period. This 30 per cent is, of course, a climb-down from his original 40 per cent, but it retains its original virtue that any upward revision of the target from the plan's original 18 per cent would not involve any increases in financial allotments to the States for the purpose. Mr. Nehru is not convinced by the contention of the Mussoorie Conference of State Agriculture Ministers that even possible modest raising of the target from 18 per cent to 25 per cent should involve an appropriate increase in financial allotments.

The Prime Minister, on the other hand, is emphatic that India should and could raise her average acre-yield by at least 6 per cent per annum (or 30 per cent in five years) as against the average annual increase of 8 per cent in China. He is further of the view that production could be easily increased by bringing about a close alliance of the Community Project and National Extension Schemes with the food production schemes of the Agriculture Departments. This is to be done by intensive cultivation using green manures, night soil and urban and rural refuse instead of chemical fertilisers alone. Mr. Nehru refuses to believe that the land of India is bad. How can this be true when in some places there are very high yields?

Mr. A. P. Jain, Union Minister for Food and Agriculture, who took up at Mussoorie the cudgels for a target of 25 per cent increase only on the basis of possible additional financial allotments therefor, has just become a convert to Mr. Nehru's view. Although he continues to believe that monetary allocations are doubtless important, he believes even more fervently that "big results in the development of agriculture can be achieved by human exertion". If faith can move mountains, any comment on the undoubted difficulties in the way should be superfluous. Or, perhaps, it would be better to aim at the sky and reach the tree top.

THE DECLINE OF BHOODAN

ELSEWHERE IN this issue is published a provocative thesis on Vinoba Bhave's Land Gift Mission. The impeccable logic of the author leads to the disquieting conclusion that this great reform movement may well turn out to be a great illusion. Although the article is ended at this point on account of limitations of space, it would be but fair to recall what the writer has said (but is omitted in the printed article) on his own inescapable conclusion. "If the movement finally fades out into oblivion without realising in a significant measure any of its important ends", he remarks, "it would be nothing short of a national tragedy the magnitude of which may be comparable to that of a possible failure of our second Five-Year Plan, because the vast and well-intentioned efforts of more than five years that have gone into the making and partial success of Bhoodan would then be a stupendous waste and whatever good it has done in some parts of the country might be easily undone".

The author continues: "At a time of growing concentration of economic and political power in the hands of the State and centralisation of all important branches of human activity and the consequent abridgement of precious liberties and democratic freedom, the rise of

Bhoodan represented a hopeful trend in the opposite direction, because it challenged the widespread belief that social change could only be brought about from above by a political authority and showed that social changes of far-reaching significance could be brought about by voluntary, co-operative and creative efforts of individuals. It is in this sense that the achievements of Bhoodan so far can be regarded as significant in themselves irrespective of whether the target of 50 million acres (by the end of 1957) will ever be realised or not". As the subsequent course taken by Bhoodan has belied its initial democratic promise, the author wonders if it is not too late now to give Bhoodan such a fully democratic orientation. It is, perhaps, not too late for the Planning Commission to create conditions conducive to a more tangible success of at least the land gift part of the movement. How this could be done has already been dealt with in a leading article of 'The Eastern Economist' issue of July 6, 1956.

BACKWARD CLASSES' WELFARE

THE BACKWARD CLASSES COMMISSION, after labouring hard for three years, has produced a self-defeating report. And no wonder the Home Minister did not mince words when he plainly stated that "no useful purpose would be served by an enquiry conducted by a special commission of this nature." What else can one say when the report leads one to the conclusion that more than half of the country's population comes within the category of "backward"? The Commission had adopted such unworkable criteria in determining backwardness that its list contains as many as 2,399 communities out of which 913 alone account for about 11.51 crores. Adding to this the seven crores of scheduled castes and scheduled tribes and the women of the country, who as a class have been regarded by the Commission as backward, the figure becomes indeed formidable! The Government had in view of this perhaps no other alternative than to approach the problem on a fresh basis. Mr. Pant has, therefore, said that further investigations will have to be undertaken to lay down positive tests and criteria for determining which classes or sections are really entitled to get special relief and assistance and simultaneously he has directed that State Governments should undertake 'ad hoc' surveys to determine the numbers that would come within this category.

Meanwhile, the Home Minister has indicated the action taken by the Government on some of the recommendations of the Commission. The Commission itself has felt that additional or special political representation to any community or communities other than the scheduled castes and tribes would be "suicidal". The Government have therefore no difficulty in accepting it. On the question of reservation in Central and State services, the Government have wisely taken a non-committal attitude. There was no unanimity even among the Commission on this question and the Chairman himself had pleaded for a policy of "no reservation" and "generous preference". Here the Union Government would have to consult the State Governments before determining the necessary steps to improve the position. With regard to removing the educational backwardness of the backward classes, the Commission has recommended a number of measures. The Commission's suggestion for reservation of 70 per cent of seats for backward class students in science, medicine, engineering and other technological institutions is, however, open to serious objection. The Government have appropriately pointed out that to meet the shortage of technical personnel, a large number of institutions are being started and, as the Plan

progresses, steps will be taken to accommodate all "suitable" candidates. The problem of the backward classes in the ultimate analysis, as Mr. Pant has rightly assessed, "is one of the general backwardness, social, educational and economic, of our country as a whole."

SAFEGUARDS FOR LINGUISTIC MINORITIES

IT WAS an eloquent testimony to the triumph of statesmanship when the Home Minister, Pandit Pant, won over Mr. Frank Anthony on the issue of safeguards for linguistic minorities during the passage of the Constitution (Ninth Amendment) Bill. Mr. Anthony has been the biggest champion of the linguistic minorities and had justifiable cause for dissatisfaction that several of his proposals for safeguarding their interests were not accepted. These were catalogued in his able minute of dissent to the S.R. Bill. It must be a matter of gratification to him now that one of his principal recommendations that a Minorities Commissioner should be appointed to look after the welfare of the linguistic minorities has at last been accepted by the Government. The officer, like the Commissioner for Scheduled Castes and Tribes, would submit a report to the President on the working of the safeguards for minor language groups at such intervals as directed and his report would be laid before both Houses of Parliament. Mr. Anthony by an amendment further wanted power to be vested in the President to issue binding directives to the States on the basis of the Special Officer's report. Pandit Pant ably contended that the Centre had even now authority to issue directives and quoted Article 355 to drive home his point. Mr. Anthony was so convinced that he withdrew his amendment.

There was considerable force in the contention of the Home Minister that the memorandum he had placed before the House on the safeguards for linguistic minorities was of "far-reaching character" and should satisfy not only "a reasonable person but an unreasonable enthusiast also". The safeguards had met many of the apprehensions entertained by the spokesmen of the minority groups. Provision for primary education through the mother-tongue would be made and for that an amendment would be made in the Constitution itself. In the matter of secondary education again, the Government proposed to lay down a clear policy in regard to the use and place of mother-tongue in consultation with the State Governments. By far, one of the most important safeguards is with regard to the residence rules applicable to minority groups. The S.R.C. had highlighted the fact that domicile tests in force in certain States had operated to the disadvantage of these groups. The Government now propose by law to make a provision to the effect that no one will be prejudiced on account of his domicile or on account of his having habitation outside a particular area, in the matter of employment, acquisition of property, land, or carrying on of trade, entering into contracts and so on. Thus some of the safeguards proposed by Government would go a long way in doing substantial justice by the linguistic minorities.

ECAFE ECONOMIC SITUATION

A REVIEW of Asian economic situation during the half year ended March this year, published recently by the ECAFE secretariat, shows that the countries in the region registered slight increases in farm and industrial output. In India, among others, the industrial production in early 1956 continued to increase at about the same pace as in previous years. Over the period 1951-55, the total increase in industrial production in this country is estimated at 35 per cent. In the second Five-Year Plan period India hopes to have a still greater expansion. In regard to food production, while the overall position in 1955-56 shows an increase of 2.1 per cent in cereals, the production of rice, the main staple food in the region, went up by 7 per cent, closely

approaching the 1953-54 record. In India, rice production was up by a million tons. But there was a decline of 3 million tons in maize, millets, etc. The shortfall in cereal production resulted in sharp increases in prices, necessitating substantial imports.

The development in the various fields of activities varied from country to country though on the whole, economic conditions in the region tended to improve. The total trade in 1955 of the ECAFE countries in exports registered a 15.6 per cent increase to \$8,326 million, while in imports the increase was 5 per cent to \$8,622 million. The trade deficit was reduced by 70.1 per cent. However, towards the beginning of the current year, rising imports by India, Japan, Pakistan, etc., resulted in increasing the deficit again; between them, India and Japan accounted for 88 per cent of the net trade deficit during the first quarter of 1956. As in other economic activities, the price development was uneven in the different countries. Thus, while Indonesia, Cambodia, South Korea, Thailand, etc., experienced rising prices in 1955, mainly due to military and other expenditures, prices remained fairly stable in Ceylon, Japan, the Philippines and China, due to either deflationary policies or, as in the case of China, rationing of consumer goods, made necessary by the high rate of capital formation. Industrial production in China in 1955 shows a comparative decline; as against a 17 per cent increase in 1954, the increase in 1955 was only 8 per cent which has been attributed mainly to a shortage of raw materials like raw cotton, tobacco, and jute caused by the great flood of 1954.

WHO STARTED THE PACIFIC WAR?

WAS PRESIDENT ROOSEVELT responsible for the Pacific War? This question is answered in the affirmative in a book written by Mr. Chigenori Togo, a wartime Japanese Foreign Minister who died in prison as a war criminal in 1950, and being published posthumously in the United States. According to Mr. Togo, President Roosevelt sabotaged the U.S.-Japanese negotiations in the winter of 1941 and made the Pacific War inevitable. He, however, admitted that the Japanese Army and Navy secretly carried out war preparations long before the breakdown of the talks in Washington. In the same breath he challenged the U.S. position that Japan was using the negotiations as a smoke-screen while Japanese war-ships and planes sailed for Pearl Harbour. On the other hand it was the United States which used the negotiations to play for time and to camouflage its own war preparations. Mr. Togo also alleged that the prime concern of President Roosevelt was to jockey Japan into the position of firing the first shot.

Mr. Togo's allegations cannot obviously stand scrutiny. Those who can recall the earlier phase of the Pacific war may wonder if the United States had made at least a tenth of the preparations that Japan had made. The swift lightning blows that all the three branches of the Japanese war machine struck at Pearl Harbour, the Philippines, Indo-China, Thailand, Malaya, Burma and the Netherlands East Indies were part of a grand offensive which was as well-timed as it was well-planned. The ease with which the Japanese invaded and conquered these territories was at once a tragic commentary on the failure of the United States to have been prepared for defence, let alone offence. If in the winter of 1941 President Roosevelt patiently carried on the negotiations, he must have known that Japan was fully prepared to start on her course of aggression and that, therefore, she should be restrained as long as possible. It was not as if the United States was also fully prepared for a Pacific showdown and was only anxious to dub Japan 'aggressor' by jockeying her into the position of firing the first shot.

A Window on the World

FEAR AND PUNISHMENT

By

ODYSSEUS

THERE ARE no bad regiments, only bad officers. You are familiar enough with this cliché to know that it is not a bright idea that I have just thought up to justify the unorthodox proposition that efficiency in battle, factory, or school, is best secured by appreciative leadership rather than by fear of punishment. It was the opinion of a man who spent a life-time in successful leadership—the first Duke of Wellington. But I have brought it up because if you agree that it is true of soldiers, I would point out that it is even more true of civilians. Efficiency in killing is easier to acquire than efficiency in chartered accountancy or engineering. The proof of this is that in a national emergency hundreds of thousands of men can be turned into efficient soldiers in a few months whereas, no matter how great the emergency, soldiers cannot be turned into accountants or engineers under several years.

We are all conscious of the pressure of life in this mid-Twentieth century and the slogan in all countries is "Greater Efficiency and Productivity". This being so, it is the more astonishing that discipline in virtually every department of human activity is dominated by ideas of fear and punishment. Examine the conduct rules in government service, industry, or schools, and you will find that the emphasis is not on the rewards for good conduct but on the penalties for bad! I have, I hope, demonstrated in two preceding articles ("The Case of Sergeant Mc Keon", August 31, and "Discipline: Bad and Good", September 7) that leaders who seek to evoke the co-operation, and to cash in on the goodwill, of their subordinates will secure better results than those who provoke antagonism and resistance by driving their men forward under the lash of their tongues and under the threat of penalties.

But if these propositions are true, why are they almost universally ignored? Why is all the emphasis on punishment?

Because to lead subordinates with good temper, appreciation, and encouragement, is difficult, while to reach for the book of rules and inflict the established penalty is easy. It requires self-mastery and a knowledge of psychology, which can only be acquired slowly and with effort.

Stripped of many necessary qualifications and elaborations, our argument up to this point can be summarised thus:

To modern authorities it is axiomatic that the normal average man is ready and anxious to give the best that is in him—if only he is allowed to. Therefore if—to offer a concrete example—a man persistently does bad work, the intelligent employer will not punish one who is, 'ex hypothesi', willing, but will try to discover the hidden reasons that must, also 'ex hypothesi', be preventing him from doing his best. The possibilities are innumerable, but a Personnel Officer trained in modern psychology has means of probing them quickly. Broadly speaking, mistakes may occur because (1) the conditions of a man's work impose handicaps, e.g., fatigue due to bad light or ventilation, excessive heat or cold, excessive hours of work, or

excessive noise or interruptions—any of which factors can divert energy or concentration from the job.

A CONCRETE EXAMPLE

Or, because (2) the man's training has been faulty or inadequate, or (3) there has been a failure (frequently in an unskilled job) to arouse his interest (and therefore his concentration) by explaining the object of his task and its relation to the objectives of the organisation as a whole. This is an instance in which military practice is ahead of civilian. Since Field-Marshal Montgomery demonstrated the value of ensuring that every soldier knows exactly what contribution to the whole his own particular responsibility will make, the British Army now regularly "puts the men in the picture" before battle. Too few factory Works Managers do this.

Here is a good example of the application of Montgomery's principles to industry: A certain factory was meeting competition. It was always struggling against time to complete orders. The management was progressive. They called in a firm of Business Consultants who tracked down a bottle-neck which, by chain reaction, was slowing down the whole assembly-line. It arose in a small group of unskilled workers whose job was to file the rough edges off a component as it emerged from a machine tool. None knew the use of the component, nor where it fitted into the finished product. All assumed that their filing was "just a bit of routine spit and polish". None realised that, on the contrary, without their filing the component was unutilisable, that they were key men in the output race, and that it was their casualness towards their job which was undermining the competitive ability of the whole firm. When this bottle-neck was laid bare, the Works Manager showed imagination and leadership. He summoned the eight workers concerned. By this time they were aware that something was wrong and that, whatever it was, they were thought to be responsible for it. With mingled defiance and apprehension they trooped into the Works Manager's office. "Good morning, boys," he said. "Come with me." He led them before the Chairman and a full meeting of the board of directors.

The Chairman explained the company's position to them. He showed charts of the orders in hand and the speed of production, and charts showing the number of products that the company used to sell in certain markets, and the vastly bigger share of those markets that their competitors were now getting. "The future of our company, of your jobs, and those of all your friends, depends on your bit of the assembly-line," he said, and went on to explain why and how. "I'm raising the bonus on your output," he concluded. "See what you can do." The bonus was certainly acceptable but what really impressed the men was the human attitude of the Chairman in talking as man to man with such obscure fellows as they. For the first time they understood the firm's position, and the relation to it of their own apparently trifling job of filing. They felt that, unskilled though they might be, they were

important men. And everyone enjoys feeling important. The bottle-neck disappeared overnight.

Or mistakes may occur because (4) a man is experiencing anxieties or strains in his personal life, either at home or in the works, which are affecting his powers of concentration. There is much that a sympathetic and trained Personnel Officer can do to help a man to solve his problems in such cases.

PUNISHMENT SOLVES NO PROBLEMS

Discipline can be maintained by sympathy and understanding or enforced by fear and punishment. The latter is the easy way. "You're late for your work...you make mistakes... you're the cause of the bottle-neck...very well, you're fined...or demoted... or otherwise penalised." But this treats the symptoms: it does not remove the cause. Punishments in factory, barracks, office, or school class, induce resistance and sullenness: which are not frames of mind conducive to higher output. They start a struggle between authorities and subordinates, instead of promoting co-operation. Punishment solves no problems: it creates conflicts.

It may be that a worker suffering from one of the handicaps listed under (1), (2), (3) or (4) above may, through fear of punishment or dismissal, make an effort to improve his output: he may even raise it to the point of giving enough satisfaction to avoid trouble. But in no case can the employer secure the productivity from him that removal of the handicap would make possible.

Do not, however, run away with the idea that I am arguing that industrial leaders, office managers, school teachers, and regimental officers, need never have recourse to punishment. There are many human beings in the rank and file of all walks of life whose natures have been distorted by stupid treatment at the hands of parents, teachers, Sergeants of the type of the US Marine Mc Keon, or by others in authority, or who simply have subnormal intelligence. Many such people can no longer respond to humane leadership and will do what is required only under the goad of fear, but even this needs to be applied with common sense. Since the object is to instil in the worker's mind a connexion between cause and effect on which he will act in future, the punishment must be logical, just, no greater than is necessary, and dealt out in a calm manner. Illogical punishments, out of proportion to the offence, dealt out with passion or in an obviously vindictive spirit (as with Sergeant Mc Keon) fall short of their purpose: they are inefficient.

There are also many unfortunate relationships that have become established through historical causes, e.g., the antagonism between trades unions and employers, between certain social groups, classes, or castes, which make smooth relations difficult. But to concede that life is full of human complications does not vitiate the argument. It does not follow because punishments are unavoidable in many cases that therefore punishments are unavoidable in all cases. And it remains unchallengeable that where discipline has to be enforced by fear the level of efficiency can never attain that secured by understanding and sympathetic leadership.

ALGERIA THE DAY AFTER TOMORROW

(From Our Special West European Correspondent)

PARIS, September 8.

THE war in Algeria drags on although everyone on both sides is sick to death of it, and no one believes that either side can even win. The 20,000 armed rebels and the 450,000 French troops could go on like this for ever, without the least hope that one party or the other would attain such decisive military superiority as to settle the political problem without negotiation. Up to the beginning of last month, the only certain results of the struggle were: 3,083 civilians, French and Muslim, assassinated, 896 farms destroyed, 299 schools burned, 31,642 head of cattle lost, immense numbers of fruit trees, vines, machines, godowns and crops deliberately destroyed. And all to no purpose. The civilian population of all communities realises the hopelessness of the war, and even—this is the new element in the situation—the French Army is putting pressure on the politicians in Algiers and Paris to come up with a political plan that will put an end to a war that no one can win.

What sort of a plan could this possibly be? The most likely suggestion, supported by many Socialists and now by Marshal Juin, is a federal connection between France and Algeria, in which most political power was decentralised to Algiers while Paris retained control of finance, external affairs and the like. Within Algeria a sort of State Parliament would be freely elected, but on an electoral law that guaranteed equal representation for the French and Muslim communities. Since there are only one million of the former and 9 million of the latter, this electoral balance might not seem very fair. But then it must be remembered that because of the high birth rate among the Muslims, they are a very young community: half of their 9 millions are under 20 years of age and thus would not be enfranchised under any electoral law. Moreover, their women-folk dwell in the shadows of the purdah and are scarcely candidates for democratic rights at this stage. Most of the Muslims are illiterate and penniless. Anyhow, the mere counting of heads is the least important part of political democracy. So there is no reason to assume that the Muslim community would reject the system of equal representation, once passions of war had cooled; certainly, the French, who will have the heaviest duties and responsibilities in any Algerian polity, would accept nothing less.

So let us suppose that the federal solution, with equal rights for French and Muslims as communities, is based on the realities of the present situation and has some chance of working. Now, my object in this article is to consider what the case will be 25 years from now, say in 1980. This is a point of view that politicians on both sides have forgotten, but 25 years is not long, and a viable settlement must reckon with such near prospects. Without venturing on hazardous predictions, we can form a fair idea of the economic and demographic situation of Algeria in 1980. The results are interesting: they suggest that even within that short period of 25 years the political claims of the French community will become much less plausible and yet the economic importance of the French community will become much more marked.

As I have said, there are now 9 Muslims for every one Frenchman. (By the way, one speaks loosely when one says "Frenchman": of the 1,040,000 so-called Europeans in Algeria, 450,000 are descendants of metropolitan Frenchmen, 130,000 are North African Jews,

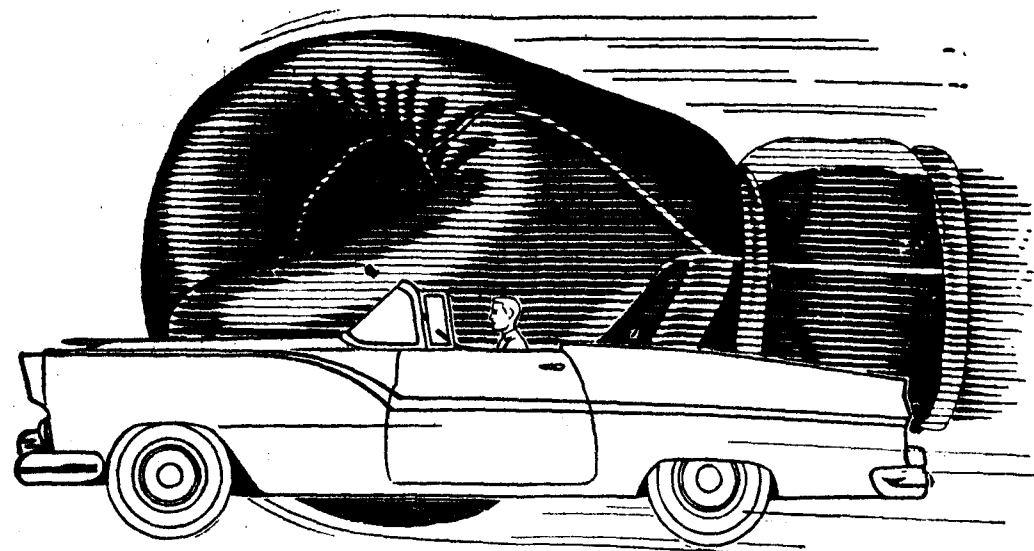
60,000 are Foreign Europeans and the rest are white people of mixed French, Spanish, Italian and Maltese blood.) But the birth rates of these two communities are very different: 43 per 1000 for the Muslims and only 19 per 1000 for the non-Muslims. The result is that by 1980 there will be in Algeria 15 or 16 Muslims for every one non-Muslim. And, moreover, in 1980 for every non-Muslim child born, there will be 36 Muslim children born. So the discrepancy will go on increasing at an ever more noticeable rate. Now, I have said that mere head-counting is the least important part of democracy, but obviously this is only true up to a certain point: the Europeans are not only a minority but a rapidly dwindling minority, and a political settlement which seems, at a pinch, fair enough today, will appear blatantly unfair in 1980.

The conclusion I draw from this is that no viable political settlement can be based simply on today's figures in a country where the demographic balance is changing so quickly. One needs to think what Algeria will be like the day after tomorrow. A plan for equal representation for the Europeans—or even less than equal, but "fair and equitable"—which might gain grudging acceptance in 1956 will become within 25 years unbearably inequitable. The plain fact is that the European community in Algeria is being rapidly swamped by the fast-multiplying Muslims, and the French claim for special political rights is going to become less and less plausible as the years pass.

But as their political position narrows, the economic importance of the French will increase—and for exactly the same reasons. To understand this, we outsiders, and especially Indians, must rid ourselves of the unconscious tendency to equate Algeria with our own country, in the sense that wherever we find a nationalist movement we tend to assume that there exists the basis for a national economy. Algeria, one cannot emphasise too strongly, is a pure accident of French conquest. There never existed an Algerian nation, but we will grant (though it is still highly dubious) that here as elsewhere imperialism has moulded a political unit out of a random collection of tribes and villages. But what imperialism could not create is a national economy. Algeria is not a country, as India and Ceylon are countries: it is a 500-mile strip of fertile coastland that fades off into sun-scorched mountains and open desert. This arbitrarily defined region has progressed economically but only as long as it lived in symbiosis with France and the other French territories in Africa. It has no coal or electricity, and few minerals; what little agriculture it has is the direct result of modern French methods and heavy investment. By itself, Algeria makes no sense economically and will make less and less sense as the population multiplies under the influence of French medical and economic techniques.

I am not saying simply that it was under the French that Algeria began to progress economically, for that much could be said of India and the British. But India reached a stage where the natural foundations of a national economy enabled her to go ahead on her own. That stage has not been reached in Algeria and never will be, because Algeria is no more a country than Hyderabad or Rajasthan are. Let us see what is likely to happen in this unnatural economic unit over the next 25 years.

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Firstly, the same population growth that is swamping the Europeans means that between now and 1980 there will have to be found in Algeria 3,300,000 new jobs, new sources of livelihood, even merely to maintain the present low standard of living without any hope of raising it. Now, the UN report on Africa has just said: "It will not be possible to increase in any large measure the area under cultivation in Algeria", because no cultivable land remains in this largely desert country. So agriculture offers no scope for absorbing the doubled population of the next 25 years. The UN report says the only chance of feeding this population is to increase the yield of lands now cultivated, and that means increasing mechanisation—which in turn may mean more food but certainly means fewer jobs. Further, the need of food will entail turning over land now under vines (wine is one of the country's main industries) to the cultivation of wheat; and wheat requires much less labour than vines. So fewer jobs.

No hope, then, of more employment in agriculture. The crafts? They are already, as in India, dying out under the impact of industrial competition. Employment avenues are dwindling here, not growing. Commerce? The Algerian population is drifting from the countryside to the cities, and in the cities commerce is being organised into chain and department stores; modernisation and competition mean fewer jobs in trade, unless industrial production is greatly increased.

We come then to industry. I have already mentioned the territory's lack of the raw materials of industry, but this could conceivably be overcome in a developed exchange economy. But that requires investment and plenty of it. There is little saving and less investment in Algeria today; so few opportunities for investment exist that Algerians themselves invest their small economies in metropolitan France. The French Government supplies all the investment in the country out of the metropolitan budget. This has amounted to 1,750 million dollars over the last three years, and of course it has all gone to the public sector: housing, roads, minerals and agriculture. The UN report, while pointing out that public investment without parallel private investment is of limited use, says that more and more public investment will still be needed—and remember that this can come only from the French national budget, out of taxes collected in France.

The budget deficits of the Algerian departments are chronic; the French Government has to make up the deficit on current account and then find on top of that all the resources for the capital budget. The external trade balance is similarly in chronic deficit: the adverse balance is equal to half the value of total exports.

In sum, therefore, Algeria is not a viable economic unit and will become less so over the next few years. Political nationalism may (or may not) exist, but it has no foundation in a national economy, and the only way to give it such a foundation is for Algeria to industrialise quickly and at almost any cost. The money, the equipment, the technique and the goodwill for this contribution, which for the French taxpayer will be a dead loss financially, depends naturally and inevitably on the political rights of a community whose numerical importance will diminish just in proportion as their economic importance increases.

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Australian Trees and Grasses: Shri Ajit Prasad Jain, Union Minister for Food and Agriculture stated in a written reply in the Lok Sabha that Australian trees and grasses are used in this country for the reclamation of arid and eroded land as an experimental measure in soil conservation. The parts in which they are used are the Nilgris in Madras; in the coastal sand dunes in Orissa, Madras, Andhra, Bombay and Saurashtra; on a eroded land in Mysore and in the arid and sandy areas of Rajasthan. Information regarding the extent of area covered is not available.

Research on Fodder: In a statement laid on the table of the Rajya Sabha recently the Food and Agriculture Minister, Shri Ajit Prasad Jain stated that organised research work on fodder was started in India in 1953 when the Indian Council of Agricultural Research sanctioned a Co-ordinated Scheme for Grassland and Fodder Research incorporating a very comprehensive research programme. The scheme was prepared with the assistance of Dr. R. O. Whyte, F.A.O. Grassland Expert assigned to Government of India in 1953. The Scheme consists of three parts viz. reconnaissance survey of grassland under the auspices of the I.C.A.R., grassland management research on fodder production and selection and breeding of indigenous grasses and legumes. The Minister further said that the Council was financing research schemes on fodder production in the States of Madhya Pradesh, West Bengal, Bihar, Mysore, Coorg, Bhopal and Hyderabad. The work on fodder research was not concentrated in any one institute. The schemes in the States which were being financed by the Council were worked under the technical supervision of the State Directors of Agriculture. Central guidance and supervision was provided by the Agricultural Commissioner with the Government of India.

Forest Research Institute: There are in all 14 Research Departments working in the Forest Research Institute, Dehra Dun. They are Wood Anatomy, Forest Entomology, Forest Botany, Forest Mycology, Silviculture, Minor Forest Products, Chemistry of Forest Products, Cellulose and Paper, Wood Seasoning, Timber Mechanics, Composite Wood, Timber Engineering, Statistics and Wood Preservation. The number of Pilot Projects attached to the Research Stations are three, one each to the Composite Wood Branch, the Cellulose and Paper Branch and the Chemistry of Forest Products Branch. Five regular research students and 13 students for technical training have undergone or are undergoing training during the current year.

INDUSTRY

Modernisation in Jute Mills: The Minister for Consumer Industries, Shri Nityanand Kanungo, revealed in the Lok Sabha recently that 64 jute mills had so far modernised their machinery and equipment partly or fully. The number, he added, included those which were in the process of modernisation. The Minister said that it was expected that a sum of Rs. 15 to Rs. 20 crores would be spent by the industry during the second Five-Year Plan on modernisation, provided the present pace of progress was maintained. Asked the extent to which the modernisation had been able to lower the cost of production and improve the quality of the products, the Minister said that precise information was not available because actual savings in costs or improvement of the quality of products varied from mill to mill. However, the output of a modern spinning frame was reported to be about 25 per cent higher.

Draft Standard for Compressed Hydrogen: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for compressed hydrogen. This draft standard prescribes the requirements and methods of test for compressed hydrogen used in the Hydrogenation of edible vegetable oils, in special welding jobs and in laboratories.

Standard for Orthophosphoric Acid: An Indian standard specification for orthophosphoric acid technical has just been published by the Indian Standards Institution. The standard prescribes the requirements and methods of test for specific gravity, orthophosphoric acid content, iron, chlorides, sulphates, arsenic, antimony, etc. Orthophosphoric acid is used for cleaning sheet metal before painting in order to retard corrosion and prevent formation of rust. This standard has been prepared with a view to guiding the manufacture and supply of the material of a quality suitable to consuming industries. This standard has been prepared by ISI's Heavy Chemicals (Inorganic) Sectional Committee. The Committee gave due consideration to the fact that toxic hazards might result by the improper use of de-rusting solution containing phosphoric acid due to the evolution of arsine and stibine. It felt that the hazards could be avoided if proper precautions, such as working in a well-ventilated space; use of de-rusting solution in the cold; and use of gas mask; gloves, etc., were observed. This standard is now available for sale at the Indian Standards Institution, 19, University Road, Delhi-8, and also at its branch office, 40/40A Cowasji Patel Street, Fort, Bombay.

TRADE

Quota for Import of Acetic Acid: The Government of India have reviewed the import policy for acetic acid and have increased the quota for the import of this item both from the dollar and the soft currency areas from 25 per cent to 37½ per cent for the current half year. A public notice on the subject has been published in a Gazette of India (Extraordinary).

Open General Licence for Pakistan: Open General Licence No. XLII, giving general permission to all persons to import from Pakistan goods of the specified descriptions, which was due to expire has been extended without any change up to October 31, 1956. The new O.G.L. has been published in a Gazette of India (Extraordinary) dated August 31, 1956.

Trade Agreement with Pakistan: The Indo-Pakistan Trade Agreement, which was concluded in July

1955, was operative till August 31, 1956. Pending the completion of negotiations for a new Agreement between the two countries, it has been decided by the Government of India and the Government of Pakistan to extend the present Agreement for a further period of two months, i.e. until October 31, 1956.

Export of Iron and Manganese Ores: The Government have decided that the quotas granted in accordance with the policy announced in the press notes of July 27 and August 3, 1956, should be doubled and the period of validity of the doubled quotas should be extended up to June 30, 1957. Quota-holders are advised to approach the Export Control authorities at the ports to get their quota slips duly endorsed. Export Trade Control Officers at the ports have also been instructed to permit the mineowners and shippers to select either of the two basic periods, namely July-December 1955 and January-June 1956, whichever is more advantageous to them. Firms will not be required to choose the same basic period for all the ports. By a separate notification issued, today, Government have decided to impose, with immediate effect, export duty on manganese ore at the following rates: Manganese ore with manganese content over 38 per cent, but not exceeding 40 per cent, Rs. 10 per ton. Manganese ore with manganese content above 40 per cent, but not exceeding 44 per cent: Rs. 20 per ton. Manganese ore with manganese content exceeding 44 per cent: Rs. 30 per ton. Manganese ore with manganese content 38 per cent or below will be exempt from duty.

FINANCE

Insurance Companies: "Steps have been set in motion to get valuations made of insurance companies of doubtful financial standing", revealed Shri Manilal C. Shah, Minister for Revenue and Civil Expenditure, in Lok Sabha recently. He added, "After Life Insurance Corporation comes into being, it will study these valuations and if these valuations disclose insolvency submit for consideration of the Central Government, schemes under Section 14 of the Act for reduction of policy contracts of insolvent companies. Government have already given an assurance that such cases will be dealt with as generously as possible."

Aid for Road Development: Sums totalling Rs. 15,24,900 have been sanctioned by Government of India for road development works in Bombay, Hyderabad, PEPSU, Manipur and Tripura. Of the amounts sanctioned, a sum of Rs. 4,09,800 has been sanctioned as grant-in-aid for the construction of major and minor bridges on Gevrai to Umradi State border road in Bhadrachalam district in Hyderabad. Manipur is to receive a sum of Rs. 2,79,750. For the construction of bridges on the Belonia-Bogafa road in Tripura, a sum of Rs. 3,54,400 has been sanctioned. Bridges and culverts are to be constructed on the Imphal-Tamenglong road in Manipur at an estimated cost of Rs. 35,500. Technical approval has been given for the construction of Jind-Assaundh inter-State road in PEPSU at an estimated cost of Rs. 4,12,000. A grant-in-aid, subject to a maximum of Rs. 58,200, has been sanctioned for the construction of cross drainage works on the Chitrasani to Abu section of the Ahmedabad-Kalol-Mehsana-Sidhpur-Abu Road in Bombay, at an estimated cost of Rs. 77,600. Technical approval has also been given for the following development works: Construction of a 12-ft. wide Chambal-Tissa-Alwas motor road for a length of five miles in Himachal Pradesh at an estimated cost of Rs. 2,24,300; widening of 6-ft. track to 12-ft. wide motorable road for a length of four miles on Bagher-Chaunta road in Himachal Pradesh (Rs. 58,400); construction and development of the Nirona-Nakhatrana road in Kutch at

an estimated cost of Rs. 1,76,100; for providing surface and applying a seal coat on the Bhuj-Mandvi road (Rs. 3,54,000); and construction and development of Nagore-Lodai road in Kutch at an estimated cost of Rs. 1,97,100

Compounded Levy on Power Loom Cloth: In conformity with the increase in the basic rates, the compounded levy in respect of cotton cloth produced on powerlooms is being simultaneously increased. The revised rates will be Rs. 50, Rs. 40 and Rs. 30 per loom per shift, per month, according to the number of looms employed by a manufacturer. Manufacturers employing not more than four looms will continue to be exempt.

Women's Savings Campaign: It is reported Rs. 427.08 lakhs had been collected till August 10, 1956 under the Women's Savings Campaign since it started functioning from October, 1953. Uttar Pradesh, with collection of Rs. 80.32 lakhs heads in collections, followed by PEPSU where Rs. 64.52 lakhs were collected. Figures for other States (in lakhs of rupees) are: Ajmer, 3.86; Andhra, 16.11; Assam, 18.00; Bhopal, 0.93; Bihar, 5.72; Bombay, 39.84; Cutch, 1.29; Delhi, 27.83; Hyderabad, 10.07; Madras, 20.38; Madhya Bharat, 12.67; Madhya Pradesh, 20.70; Mysore 34.09; Orissa, 3.59; Punjab 9.89; Rajasthan, 18.92; Saurashtra, 3.72; Travancore-Cochin, 7.35; Vindhya Pradesh, 0.41; and West Bengal, 26.87.

GENERAL

Government Wheat Supplies: The Government of India has decided that with immediate effect such of the Roller Flour Mills as are not getting their wheat requirements from Government stocks at present should be supplied wheat at Rs. 14 per maund F.O.R. destination stations. These mills, will, however, be required to sell their products at reasonable prices fixed by the Government. The details of the scheme have already been discussed with the various flour mills and arrangements will now be finalised with the mills concerned.

Hirakud Project: Irrigation from the Rs. 70-crore Hirakud multi-purpose project (Stage I), which is now substantially complete, will begin on September 7, when water for the first time will be released into the Bargarh canal from the reservoir. About one lakh acres will receive irrigation supplies during the coming season, and 24,000 kws. of power will be generated when the first unit is commissioned shortly. By 1958-59, irrigation is expected to extend to 4.5 lakh acres. Three more power units will begin to operate during 1957, when the total generating capacity of the project of 1,23,000 kws. will be attained. The project consists of a 3-mile dam, the world's longest, across the Mahanadi in Orissa. The dam, which is an earth-cum-masonry-cum-concrete structure, is flanked by earthen dykes 13 miles in length along the low saddles on both sides of the river. The maximum height of the dam above the deepest part of the river is 200 ft. near the power house. Seven penstocks of 23 ft. to 25 ft. diameter each, which are perhaps the largest in Asia, are embedded in the power dam. The reservoir formed by the dam will have a waterspread of 288 sq. miles with a gross storage capacity of 6.60 million acre-ft. of which 1.88 million acre-ft. will form the dead storage to provide the minimum head for power generation. The remaining capacity of 4.72 million acre-ft. will give sufficient reserve for flood control, live storage for irrigation and power generation. Out of an estimated outlay of Rs. 70.78 crores, a sum of about Rs. 54 crores was spent up to the end of March, 1956. The formal inauguration ceremony of the project will take place some time in November this year.

NEWS IN BRIEF

INDIAN

The All-India Handicrafts Board has set up a pilot centre at Surat for the revival of the brocade industry. A sum of Rs. 40,000 was spent up to the end of July of this year on the scheme.

Licences have been issued for the establishment of six new Spinning mills in the Punjab and one in Pepsu. Of the six mills in the Punjab, which will have a total of 1,21,000 spindles, two will be in Ludhiana and one each in Hissar, Khanna, Kaithal and Abhor. The mill in Pepsu, which will have 24,000 spindles, will be located at Bhatinda.

A co-operative match factory is to be set up at Banaras. The Government of India have sanctioned Rs. 2,85,700 for the scheme.

Another 4,000 employees in Burhanpur in Madhya Pradesh benefited under the Employees' State Insurance Act, 1948 from the midnight of Saturday, September 1, 1956.

With the onset of the monsoon employment opportunities declined in India in July 1956 and the number of job-seekers increased to 7,92,345 as against 7,40,634 during the previous month.

The percentage of Indians employed in the tea industry in the North-East India on salaries of Rs. 1,000 and above increased from 0.1 in 1947 to 13.4 in 1956. The percentage of foreigners decreased from 99.9 to 86.6 during the same period.

Under the training schemes of the Union Ministry of Labour 9,322 persons, including 8 women and 1,592 displaced persons were receiving training at the different training Institutes and Centres at the end of July, 1956.

Railway machine tool manufacturers in eight European countries have secured orders aggregating to about Rs. 40 lakhs for the second instalment of machinery and plant for the Railway Ministry's Integral Coach Factory at Perambur, near Madras.

Four more export promotion councils are proposed to be set up during this year. The commodities for which these Councils will be set up are mica, shellac, leather and leather goods and sports goods.

Estate Duty collections in India during 1955 totalled Rs. 1,44,69,884.

About 101,800 radio receiving sets were manufactured in India during 1955-56.

The Government of India have sanctioned Rs. 15.24 lakhs for road development work in Bombay, Hyderabad, PEPSU, Manipur and Tripura.

Train lighting dynamos of the value of Rs. 15 lakhs were manufactured in India during 1955.

The Union Government propose to subsidise the establishment of about 15 T.B. demonstration and training centres in the country during the second Plan period.

FOREIGN

The West German motor cycle companies, the Adler Works of Frankfurt, and two Nuremberg Companies, "Triumph" and "Hercules" have decided to pool their sales organisations and production programmes.

Alberta Coal output was up by more than seven per cent in the first six months of 1956 compared with the corresponding period last year.

It is reported that Pakistan Government has frozen all stocks of "B" Twills in East and West Pakistan. Traders would still be allowed to export "B" Twills against licences already issued.

The Eisenhower Administration has predicted that the US will have a \$707 million (£252 million) Budget surplus in the fiscal year ending June 30, 1957. This will be the second consecutive surplus achieved by the Federal Government, and follows a \$1,754 million (£626 million) actual surplus in the previous fiscal year.

Provisional figures for rice production in Asia for 1955-56 show that of a total of 107,500,000 tons, India accounts for 37,462,000 tons. The third estimate for Pakistan for 1955-56 is given as 11,538,000 tons, compared with 11,818,000 tons in the previous year.

The Government of Nepal is considering measures aimed at reforming currency and banking in the country.

There was an adverse pan-Malayan trade balance in July of \$M 36.3 million—about £4.2 million—for the third consecutive month. The total value of trade during the month was \$M642.1 million which was 11.5 per cent less than in June and, after February and May, the lowest for the current year to date.

US exports in July, including military aid shipments, totalled \$1,630 million (£582 million) compared with \$1,686.7 million in June and \$1,268.5 million in July a year ago.

During the first six months of this year, with 168,217 vehicles produced, the Italian motor industry exceeded the record output of the first half of 1955 by 38.3 per cent.

It is reported South Korea is to seek \$50 million loan from the World Bank for the construction of a hydro-electric power plant and a fertiliser plant.

Covering the period 1946 to 1960, a total of £220,000,000 is being made available under the Colonial Development and Welfare Acts for the improvement of life in the colonial territories for which the United Kingdom remains responsible.

For the first time since 1952 steel supplies from domestic and overseas sources are meeting Australian demand with comparative ease. There are still special shortages and many lines are still tight, but on the whole the acute scarcity of six months ago has vanished.

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Special Articles

THE DECLINE OF BHOODAN

By C. R. M. RAO

FEW social or economic reform movements in the history of any country have had the exceptional good fortune, propitious circumstances and national and international acclamation which the Bhoodan movement of India has had from almost its very inception.

Firstly, for instance, it had behind it all the social, political and religious prestige which could be invoked in the name of Mahatma Gandhi.

Secondly, the general social awakening and desire for economic amelioration coming in the wake of political independence, such governmental measures as abolition of the Zamindari and the Jagirdary systems and introduction of Tenancy Laws for protecting tenant-tillers who were tenants-at-will and the subsequent passing of appropriate legislations by many of the States to smoothen the transfer of Bhoodan lands—all these factors have combined to make the going considerably easy for Bhoodan.

Thirdly, the two main national political parties in the country—the ruling Congress and the languishing Praja-Socialist Opposition—have vied with each other to champion the movement which was widely recognised as being truer to the Gandhian tradition than either of them as a political child of Gandhism was. In vying so, of course, they were not entirely unmindful of the considerable political advantages accruing to their respective parties from a close association and identification with what to all appearances was a triumphant and popular movement.

Besides these two parties, even the Indian Communists, to whose terrorism and banditry in Telengana Bhoodan came as a dramatic answer, could find no convincing reasons—Marxian or otherwise—to oppose it. The rest of the parties and politicians in the country, with perhaps a couple of notable exceptions, mostly had to climb the bandwagon to avoid public opprobrium. In short, it won the badge of public respectability for anyone who even lip-sympathised with the movement. Thus it soon acquired a non- or all-party character claiming and receiving in ample measure the support and adulation of all.

Fourthly, the Press in India and quite a few well-known Western writers and observers of Asian affairs, have lavished fulsome praise on the movement for its supposed counter-attraction to Communism. Indeed the most genuine upholders and ardent lovers of freedom and democracy as well as their most superficial partisans have alike been prone to glorify Bhoodan and magnify its merits, not because it added anything like a new dimension to the concept of democracy, but chiefly because it could be a spiritual prophylactic against Communism in India and probably also in Asia.

Given this rare combination of favourable circumstances, to say nothing of other material advantages, any movement could be reasonably expected to realise most, if not all, of its immediate as well as ultimate aims and objects. Not that the achievements of the Bhoodan movement up to now are of no significance at all. They undoubtedly are impressive and also of great significance in themselves. But in relation to the ambitious, yet ever-expanding, aims and objects of the movement they are quite as certainly immaterial.

The target of collecting 50 million acres of land, which the leader and the followers of the movement have set to themselves, is still a long and arduous way off—the longer the way, in terms of time, the more arduous it becomes—notwithstanding the aforementioned advantages. And considering the stark fact that only a little more than 1/12 of it has so far been realised since its inception five years ago, the final target is well-nigh impossible of realisation, except through a miracle of miracles, by the end of 1957 which again is the dead line quite arbitrarily chosen by the leaders themselves. Actually, at the present rate of collection of about 4.2 million acres in five years and of distribution of about 5 lakh acres over the same period, it should take the movement roughly another five decades to complete the collection of 50 million acres and probably as many centuries to redistribute it to India's landless millions.

In that 'long run', alas, all of us would be dead and all our problems would cease to be. When we add to this the further fact that only less than half the lands gifted so far are immediately cultivable, or that even if they were all cultivable it could not significantly solve the basic problem of land—that of making it yield more—without a wide range of other efforts, the great illusion that Bhoodan can easily be, becomes all too manifest.

And yet the significance of Bhoodan and the scope of its aims are continually stretched and enlarged to mean, as it were, different things to different people. This unabating inflation of aims has already far outstripped the tangible achievements of the movement and in proportion as it widens the gap between the two, it deflates public faith in the cure-all capacity of Bhoodan to bring about that confidently heralded comprehensive psychological, social and economic revolution in the country which would lead to a radical yet peaceful moral and material reconstruction of the Indian man and society.

Now the point of it all is that even when the size of the target remains so completely disproportionate to the time available to attain it, a disturbing lull appears to have descended on the movement. Bhoodan no longer evokes in people the same measure of active sympathy or spontaneous enthusiasm as it did before. It is less commonly heard or talked of today and even its vast prestige appears to be ebbing chiefly, it would appear, due to this gap between aims and achievements. Moreover, it has been with us constantly for more than five years now and the resulting familiarity seems certainly to have bred cold indifference or only a kind of negative respect, if not positive contempt yet.

The Indian Press which hailed Bhoodan with much noise and great eclat and blazoned it forth into world-wide circulation has not been able to stem this depreciation of active public support for Bhoodan. It would on the contrary appear that they themselves speak of Bhoodan's success in less confident tones. The fact is that by playing up Bhoodan too fast they have only used up its news potential too soon. It should not be surprising therefore if they find it a little stale now.

Even the Congress and the Praja-Socialist Parties are evidently less enchanted by Bhoodan today. Apart from their own major preoccupations—of Congressmen

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with their scramble for power or profits of office and of leaderless Praja-Socialists with their unending ideological troubles—considerations of group ambitions and party politics have obviously prevented them both from playing a more effective part for the success of Bhoodan.

Thus the movement still seems to maintain some of its former prestige and promise only outside the country. As a movement aiming at bringing about a miraculous change of heart in people, little caring though for their heads, Bhoodan rather prematurely gave rise to hopes which were impossibly high. And as prospects of complete success according to schedule begin inevitably to recede, it is bound to create scepticism, despair and disillusionment. In fact, only blind devotees of Bhoodan can fail to discern the prevalence of these attitudes in varying degrees.

The admirers of Vinoba Bhave, the author of Bhoodan, have often described him as also the symbol of the movement. This symbolism is not altogether sentimental as the movement visibly bears the stamp of Bhave's personality and is greatly influenced by what he says and does. Even the snail-pace progress of the movement is no less attributable to his ascetic insistence on carrying the movement from village to village on foot. So we can also have a fair idea of the condition of the movement by slightly stretching this symbolism. Thus, the Bhoodan movement today presents the pathetic picture of an old man, weak and weary of limbs, trudging along the pathless mazes of the vast expanse of the Indian countryside to a destination which is far more distant and difficult to reach than his naive optimism or fanatical determination would incline him to believe.

This frankly critical account of Bhoodan's condition and the rather unfortunate conclusion it apparently leads to may nevertheless be hotly contested by some devotees and advocates of Bhoodan on the ground that it takes a narrow view and still adheres to the statistical conception of success when its own leaders have gone beyond and given a new meaning to Bhoodan. But is it entirely true that the statistical conception of Bhoodan has been abandoned? It is as well to remember, in this context, that it was the author of Bhoodan himself who originally conceived of the success of Bhoodan wholly in terms of statistics and went on to prescribe a target and a time-schedule for achieving it.

A word here about the considerable mischief wrought by the time-schedule should not be out of place. A time-schedule to achieve any specific goal or goals can have no other justification for its adoption, even by a movement primarily of action, than that it provides an element of drama and excitement to its participants. Much of the enthusiasm and emotion felt for Bhoodan has indeed been due to this element. Which only shows that the movement was hardly expected to derive much strength from the principles or methods advocated, although these have a good deal that is commendable in them. What the leaders evidently aimed at while prescribing the time-schedule was spectacular success in a short time—a kind of success probably with a political flavour not much unlike a thumping election victory. This emphasis on spectacle and success, which in practice leads to adoption of desperate measures and the formula of end justifies means, may well preclude the movement from achieving any lasting moral or material good.

Coming back to the statistical conception, it is fairly certain that having all along allowed the impression to grow that it was mainly the collection of more and more lands—of whatever quality, and, for the present, even regardless of just and speedy redistribution of it—that proved the soundness of Bhoodan's underlying

principles and the efficacy of its technique, it can do little good to the movement now to decry that statistical conception without offering a new and a more tenable one. If anything, it can only show up the leaders as self-condemned which may further discredit the movement. That is why a new conception of the success of Bhoodan has since been offered. But how tenable it is is still doubtful.

In a rather vain attempt to widen the scope of the movement its leaders have so overworked the central idea of 'dan' and the sentiment of charity as to produce the exactly contrary and sometimes amusing effect of further fragmenting the movement into Shramadan, Gramadan, Buddhidan, Koopadan, Sampattidan, all inexorably leading to Sarvaswadan (or 'dan' of all one possesses) and finally to Jeevandan (or 'dan' of one's own life) which is perhaps the limit to which 'dan' can be pushed.

If instead of multiplying aims faster than achievements and carrying Bhoodan to fantastic lengths, the sponsors had made a concerted effort to solve the land problem first and then other related social problems on a modest scale, say in Telengana itself, then the revolution and reconstruction brought about even in that small sphere would have made a more lasting contribution to the larger Indian society. That would also have been the best guarantee for its success beyond Telengana. For, a peaceful and constructive revolution means nothing if it cannot create the conditions for its own success and extension. But all that was not to be. The Napoleonic ambition of the saintly Bhoodan leaders could not be confined to small areas. They would win the whole world with Bhoodan.

Having thus unwittingly dissipated the Bhoodan movement and finding it difficult to stretch its meaning and scope any further the leaders now lean heavily on Sarvodaya and go on mental excursions into spiritualism. Quite naturally, they now argue that the real worth of Bhoodan or its success cannot be measured in material terms. And that brings us to the new conception of the success of Bhoodan.

From an over-realistic faith in absolute success in a short time, the leaders have switched over to spiritualist denial of the very material basis of Bhoodan. We need not of course get ourselves bogged here in the barren material-spiritual controversy. But it is pertinent to point out that while this switch-over to spiritualism may be one way of resolving the latent contradiction of a movement like Bhoodan, with its very 'raison d'être' as increasing economic and material well-being of the people, being led by saints or near-saints who believe in and preach the philosophy of asceticism, it can hardly destroy the material basis of the movement without emasculating it in the process. For, Bhoodan arose in answer to a specific and crying material need and it is difficult to comprehend through what spiritual means that need can be satisfied.

To round up the argument and conclude, what does it all really add up to? Will Bhoodan soon become sterile and fade out and be forgotten? Or, will it avoid the denouement of all well-intentioned reform movements? It may be very tempting to predict the fate of Bhoodan. But that is not the purpose of this article. What is important is to realise that the present trend of Bhoodan is anything but encouraging; signs are indeed ominous. The dominant impression one gets of Bhoodan today is that it has lost the momentum it gained from initial advantages and successes and is gradually losing ground, though perhaps a little imperceptibly yet. What was a modest and a legitimate hope now promises to be one of the great illusions of our time.

AN INDIAN LOOKS AT AMERICAN EDUCATION

1—Who Shapes Policy?

By HUMAYUN KABIR

WITH my experience of American Education limited to two short visits of about six weeks each, it would be hardly feasible to attempt any detailed or a comprehensive survey of the American system. No one can judge another national system of education without much greater preparation and study. Nevertheless there is something to be said for the first impressions of a visitor from abroad, as he may raise questions about things which the native expert takes for granted.

In any case, problems of education are basically the same in all countries. India and America in particular have many things in common. Both are large countries and show wide varieties in geography and climate. Both are inhabited by people derived from many racial and cultural traditions. Both have sought to evolve a common culture which will give unity of outlook and purpose in the midst of all these diversities. America is the oldest democracy but one of the newest countries of the modern world. India is one of the newest republics in history.

In both India and the United States, universal free education is an integral part of national policy and regarded as both a condition and a guarantee for democratic rights and liberties. In both, there is the problem of expanding the system of education sufficiently quickly to meet the growing demands of the nation. Both face the problem of maintaining and in fact improving standards simultaneously with the extension of facilities to cover not a mere privileged section but the whole nation. Since America began the process of educating the entire community earlier and has carried it much farther than India, some of the policies and practices developed there may be not only of interest but of service to us.

One may at the very outset say that there are many things to admire in American education. America is perhaps the first country to provide free and compulsory education to all its nationals to the end of adolescence. For abler students, education beyond adolescence is also for all practical purposes free. Not only is education free and universal but it is greatly diversified to meet the needs and fit the aptitude of boys and girls of diverse abilities and tastes. It also seeks to enrich the experience of children in schools by bringing to them services and facilities which in the past have been the prerogative of only the children of privileged classes. Education is thus a great factor in equalising opportunity for all and democratising society. In fact, it has been called the greatest single instrument for increasing social mobility in the United States.

These features of American education are as well calculated to serve the interests of India. We also need education which will be diversified to cater to the diversified needs and aptitudes of our adolescent boys and girls. We also want that education should serve as a principle of social mobility and equal opportunities for all. America's past history is partly responsible for this emphasis on education as an instrument of social mobility, but equally important for this purpose is the pattern of educational organisation in the United States.

One question which baffles the foreign visitor and in fact at times even the native American is as to who shapes educational policy in America. There is the US Office of Education but its main task is to collect information and publish reports. If you ask an average

citizen, his first response will be that education is organised on the basis of local communities. Educational policy is thus 'prima facie' a local concern and in fact most Americans would violently react against any suggestion of federal or State control over the shaping of educational policy. The federal authorities are themselves anxious to impress that they have no say in policy and serve as merely a clearing house. Distrust of federal authority is seen even in the status and emoluments attached to the post of the US Commissioner for Education. He is the head of the federal educational organisation but his tenure is generally annual and his salary less than what a School Superintendent in a prosperous city may get. Readers may remember that recently the US Commissioner for Education resigned his post to become Superintendent of the Detroit School System. One of the reasons he gave for his resignation was that the School Superintendent had a salary of 30,000 dollars against the 14,000 dollars attached to the post of US Commissioner for Education. The powers of the US Commissioner for Education and of District Superintendents are also roughly in the same proportion as their salaries.

The State Commissioner is in some respects in a happier position. Education is a State subject and as such regulations for school buildings, class hours, preparations for teachers, etc., are largely determined by the State. The State Commissioner has thus a large say in educational policy in the State than the US Commissioner for Education has for the country as a whole. With this background, it should not surprise the reader that the District Superintendent of Schools has a smaller area but often a larger influence than the State Commissioner.

The State departments of education and the State Commissioners are, however, reluctant to admit that they have the last say in educational matters. They protest that the local communities have a deciding voice in shaping all educational policies. The local authorities on the other hand often complain that their autonomy is more apparent than real. They point out that their very Constitution is subject to legislation by the State which also prescribes the conditions under which schools are to function. The State also exercises its authority through inspecting and supervising officers and by prescribing conditions of service of teachers. If there is a powerful State Commissioner and he makes up his mind to introduce an innovation, it would be difficult if not impossible for a local community to resist it.

I have not so far mentioned the Teacher Training Colleges. They also have a very important say in the shaping of educational policy at the elementary and the secondary level. One peculiar, and to my mind unfortunate, feature of American education is the divorce between universities and teacher training institutions. The State departments have largely organised the teacher training colleges and as such one would think that the State Commissioner could exercise influence on policy through them. The teacher training colleges have however become largely autonomous and developed an almost independent life of their own. Their influence on educational policy and practice is exercised not directly but through the convention which restricts the appointment of City Superintendents and State Commissioners mainly to alumni of teachers' training colleges.

Last but not least among the forces which shape educational policies in America are the voluntary and non-official national organisations. Americans are fond of forming societies for conducting their affairs in almost every sphere of life. Nowhere else perhaps is there such a passion for organisation and doing things through societies and committees. This has affected the educational scene as well. The N.E.A. or National Educational Association is the most powerful but not the only national organisation which influences educational policies in the country. These professional and semi-professional associations often lay down rules for the recognition of teachers and powerfully influence the construction of curriculums and syllabuses. They have their representatives in almost all teachers training colleges; City Superintendents and State Commissioners of Education are often members or past members of such organisations. Neither the US Office of Education nor even the State departments of education would lightheartedly challenge their authority or reject their recommendations. If the State Commissioner with his legislative and administrative powers is reluctant to question the authority of these organisations, one can easily imagine that the local communities have hardly any chance of going against their advice.

One may now attempt an answer to the question: who shapes educational policy in the United States? The US Office of Education disclaims any share but nevertheless is a quite powerful factor through its studies and reports. Any report must from the nature

of the case be selective. The US Office of Education is thus instrumental—though often in an indirect manner—in drawing attention to specific problems and suggesting specific remedies. The State departments of education play a more active and in some cases a more aggressive role. The local communities are zealous of their rights and many devoted men and women consciously dedicate themselves to educational work. The national organisations and associations have a large say in determining the content of education as well influencing professional practice. The teacher training institutions also exercise a silent but steady pressure on educational practice by training succeeding generations of teachers. It is the interplay of these five factors which ultimately determine educational policy in the United States.

Local autonomy in education is thus not as extreme as some ardent advocates claim. National uniformity is provided through the indirect influence of the US Office of Education, the pervasive influence of the national organisations and the teacher training institutions and the interplay of the influence of State departments of education. Nevertheless the emphasis on local autonomy calls out the loyalty and devotion of some of the finest men and women in the nation. It is both evidence of the general concern for education and a major factor in developing local initiative and leadership. Nothing makes a more vivid impression on a visitor from abroad than the ability and devotion of men and women interested in education in even the smallest of communities.

Economic Report from the U. S.

INTERNATIONAL FINANCE CORPORATION

(By GUY SIMS FITCH)

WASHINGTON, Sept. 11.—Economic development around the world will receive another important stimulus when the International Finance Corporation (IFC) starts its investment operations sometime before the end of the year. This two-month old alternate of the United Nations International Bank for Reconstruction and Development, known as the World Bank, was set up to aid in the economic advancement of its member nations by encouraging the growth of productive private enterprise. The IFC will do this by fostering the investment of private capital, both domestic and foreign, and by investing itself in productive private enterprises in association with private investors.

The I.F.C. already has received some 30 applications for financing economic projects in newly developing areas. Most of these have come from United States concerns wishing to invest in enterprises abroad in association with the I.F.C. Others have come from European concerns. From these beginnings it is quite evident that IFC funds may well set in motion a flow of new capital into productive private enterprises in a great many of the less industrialized lands. IFC officials here hope that three to four dollars will be put by private sources for each dollar IFC provides. In this way, IFC funds should go a long way toward financing a considerable volume of new industrial, commercial and agricultural enterprises. IFC capital now aggregates \$78 million subscribed by its 32 member nations. This capital is slated to grow to some \$100 million as other countries join the IFC. In time, furthermore, IFC will be selling its investments to private purchasers, thereby creating a revolving fund with which to operate. Local capital will be given an opportunity to participate in enterprises originally financed by IFC and foreign private interests.

IFC officials believe that such an international flow of private capital, allied with experience in modern management and technology, is a practical and positive

aid to economic growth. They see the expansion fostered in production and trade as directly benefiting producers and consumers, buyers and sellers, business enterprises and investment capital in all parts of the world.

The results of American investment in other countries during the past decade point to some of these benefits. Since 1946, U.S. private investment abroad has more than doubled, rising by \$15,500 million to a grand total of \$29,000 million. American enterprises in other countries produce an estimated \$40,000 million worth of goods annually—nearly three times the value of all U.S. commercial exports. In addition to strengthening national economies, these investments contribute to the dollar earnings which other countries need for the expansion of their trade. Out of \$11,560 million of U.S. commercial imports last year, \$2,600 million was produced by American-owned companies abroad.

Some of the advantages accruing to a developing country from this type of foreign private investment have been outlined in a recent study by Mexico National Association of Importers and Exporters. Lauding the role of U.S. capital in the development of the Mexican economy, the Association points out that American firms in Mexico employ 53,000 persons, of whom 45,000 are Mexican nationals. The average wages they pay to Mexican workers are nearly three times as high as Mexico's official minimum wage. They are training Mexican technicians and thus helping to develop a rich reservoir of domestic industrial "know-how". And, they are reinforcing Mexico's real wealth by ploughing earnings back into the Mexican economy. The Association finds it no coincidence that in the 10 years since 1946, a period of heavy U.S. investment, Mexico has enjoyed a remarkable economic development and domestic as well as foreign private enterprise has prospered.

The Business World

CONSUMER AND CLOTH EXCISE

By
CROESUS

IF the proposal to increase the excise duty on cloth announced on August 31 has been described, not unjustifiably, as a parting kick to the textile industry and trade by the erstwhile Union Commerce and Industry Minister, the implementation of the same with effect from the midnight of August 31, has been characterised, at any rate by Government supporters, as a very shrewd step, the more so because, as the maiden effort of the new Union Finance Minister, it offers very good promise of his ability to enlarge the coffers of the State. This he must needs do, in any case, in order to find adequate funds for the second Five-Year Plan. But whatever that may be, it cannot be accepted, despite all the explanations provided by Mr. T. T. Krishnamachari in Parliament, that the purpose of the increase in the levy of the excise duties on all varieties of cloth is "to meet a possible contingency of possible shortage of cloth and increase in prices". For this would mean that there is at present no shortage of cloth and that cloth prices have not risen, which is not correct. Both these processes, it must be noted, have been in operation almost right from the time a decision was taken to peg the mill production of cloth at 5,000 million yards. There is enough statistical evidence to support the contention that the supply of textiles has been far from plentiful ever since even last Diwali, notwithstanding the fact that production has increased and cloth exports have been relatively less than last year. It is acknowledged on all hands, including the Government, that consumption also has been steadily on the rise, but coupled with this fact has been a certain amount of abnormal purchase too, apprehending a cloth scarcity; in other words, some degree of hoarding by consumers, if not by stockists, is there all right. Similarly, the tendency towards higher prices also has been in evidence more or less for the same duration. It is because of this that leading textile men have been repeatedly voicing their concern at the imminence of a cloth famine in the country in the event of Government failing to recognise the realities of the situation and to take prompt remedial measures. It is not that Mr. Krishnamachari is unaware of this. As a matter of fact, he rightly attributed the present position to the Government's cloth policy, although, as is only to be expected, he defended it.

Be that as it may, what the people at large are interested in is the effect on them of these measures. No amount of argument will convince the public that the raising of the duty is only intended to mop up the surplus profits of manufacturers and traders. In the first place, an effective and foolproof measure for this purpose has yet to be devised. Secondly, as some of the Congress members themselves have pointed out, the incidence of the increased duties is sure to be passed on to the consumer, if not immediately certainly eventually. True, some millowners in Ahmedabad have come forward with the assurance to bear the brunt of the

burden themselves, but, considering human nature and, what is more, the terms of contract between the producers and the wholesale dealers, the incidence will, sooner than later, be shifted on to the consumer. If the duty is passed on to the consumer, it will mean hardship, particularly to the agriculturalists and to the industrial workers who, between them, constitute the greater bulk of the country's population. Assuming, for argument's sake, that all the millowners are altruists enough not to pass on the burden to the consumers, many of them will soon find it extremely difficult to keep going. Even as it is, all mills are not profitable propositions. It is not my discovery that there are as many as 150 uneconomic mill units in the country. This number has been cited by the Planning Commission itself. Now it is simple economics that, if the maximum production is to be assured, even uneconomic units must be allowed to continue to produce, but this may not be possible in the context of the latest increase in excise duty. Again, it should not be forgotten that the result of any reduction in the offtake of cloth due to high prices would necessitate a curtailment of production and, in its turn, a reduction in the mills' offtake of cotton, or in other words, adverse consequences to the cotton grower, on the one hand, and possible unemployment in the textile industry, on the other.

When critics point out that the measure is pure and simple a revenue-raising measure and that it has been taken to vindicate the estimate of the per capita consumption by the Kanungo and the Karve Committees, the suggestions may seem uncharitable, but, in effect, the measure is bound to lead just to these very consequences. Furthermore, a straight increase of so much in the excise duty on an essential consumer commodity like cloth cannot but cause hardship to the poor people while taking even the mill interests unprepared for it. Possibly almost the whole of this increase might have been justified, and also acceptable to the producing interests, had it been spread over the entire second Five-Year Plan period. With more profits and increasing purchasing power, the interests concerned would probably not have felt the increased incidence of the levy as much as they do now.

On the basis of the estimated receipts from the proposed increases in excise duty of Rs. 17.5 crores for the remaining period of the current fiscal year, the total annual yield from the excise duty on cotton cloth alone would amount to as much as Rs. 79 crores. It is certainly a matter for examination whether it is economically justifiable or morally defensible to make one essential commodity alone bear as much as this tax burden. The abnormally heavy incidence on cloth will be obvious, when this amount of Rs. 79 crores is put along the total estimated revenue for the current year of Rs. 493.60 crores, the total tax revenue of Rs. 424.69 crores and the total of all non-tax revenue of Rs. 68.91 crores.

IMPERATIVES IN SHIPPING

By
CROESUS

WHILE major maritime countries of the world are making unprecedented progress in shipbuilding, and are developing their national mercantile marine, the progress that Indian shipping has made, compared to the country's requirements, is hardly impressive. It is poor comfort, if comfort it is at all, to take into account, as Sir A. Ramaswamy Mudaliar did the other

day, only the dry cargo tonnage of Indian shipping and feel complacent over the fact that it represents a slightly more respectable percentage of the world's dry cargo tonnage. As he himself observed, India is nowhere compared to other countries in the matter of tanker and passenger tonnages which, of course, form the greater bulk of the world's total tonnage. It is

because of this that 'The Eastern Economist' has been persistently pleading for more ships and greater tonnage. The problems of shipping call for urgent and efficient action on the part of the Government of India, especially now when the second Five-Year Plan is on the anvil and when the general fear is that transport, more than any other single factor, is likely to present a problem in the way of the successful implementation of the Plan. Enough, however, has been said already about the difficulties which Indian shipping is facing. What is more relevant today is to find a solution for the removal of these difficulties and to adopt effective measures for the development of shipping, the very subjects which Sir Ramaswamy selected as the theme for his presidential address to the annual meeting of the Indian National Steamshipowners' Association.

As usual on such occasions, Sir Ramaswamy began with a review of the year 1955-56, which he aptly termed as an "eventful year" for the shipping interests. It may be recalled that labour unrest and prospects of surcharge combined to act as a wet blanket on Indian shipping during this period. However, thanks to the earnest efforts of the Government and the commendable role played by shipping companies, the surcharge proposal was abandoned, thereby averting any serious adverse effects on our economy. Among the notable developments of the period for which the Government contributed, he commended the setting up of the Vassist Committee, the constitution of the Consultative Committee of Overseas Shipping, and the attempts being made to improve port facilities and modernisation.

Thereafter Sir Mudaliar proceeded to examine the respective contributions to the development of Indian shipping—overseas and coastal—by the private sector and the Government, inasmuch as the development of shipping is the concern of both the sectors. According to the INSOA Chief, the expansion of Indian shipping has been slowed down as the policy of the Government has not been clear in regard to the assistance to this industry. Because of this, he complained, even though, soon after independence, sufficient progress was registered by the shipping companies, the same tempo could not be sustained subsequently. He thus pinpointed the absence of addition of any new shipping company with a worth while tonnage during the last 4-5 years, all the expansion that has taken place having been virtually accounted for by the existing Indian shipping companies. The difficulties at the ports and increased working costs have handicapped the progress of coastal as well as overseas shipping, he said.

PROGRESSIVE TRANSPORT FOR BOMBAY

By
CROESUS

AS far as nationalised undertakings are concerned generally, I believe, one ought to attend the anniversary meetings of these organisations to know all about their progress and their most redeeming features and be present in the different legislatures when the working of these undertakings is being debated to know all about their shortcomings, real as well as imaginary. But the two do not necessarily cancel out each other. By and large, the credit side may be said to make a decidedly better showing in respect of almost every State undertaking if headed by business men. If the Bombay State Road Transport Corporation (B.S.R.T.C.) is what it is today, it is, in my opinion, attributable in the main to the Corporation's good fortune in having, and the Bombay Government's good sense in appointing able and experienced business men to direct and manage its affairs. Incidentally, this illustrates the efficacy of the philosophy of co-existence in this as in all other spheres. In other words, the best results are possible

One of the major difficulties of Indian shipping, relates to freight charges and Sir Ramaswamy pleaded for an "integration of the freight structure between shipping and railways" as a possible solution to the problem. In regard to overseas shipping, the INSOA Chief touched on the relatively greater financial burden of this section and urged that the least the Government could do in this behalf was to spread the repayment of the loan to shipping companies over a longer time.

Turning to Government policy, as regards the roles of State enterprise and private enterprise in shipping, Sir Ramaswamy rightly pleaded that the activities of new shipping companies should be directed towards the many routes all over the world where Indian ships do not go and which have all along been a close preserve of foreign ships, and not to any routes which are already being served by Indian ships. Further, in regard to the two integrated State Corporations—the Eastern Shipping Corporation and the Western Shipping Corporation—he was for the Government adopting a general policy that these "should operate on routes not covered by Indian shipping companies already or so little covered that they can be supplemented. Where there is a fair amount of trade covered by Indian ships, if the need of having more ships on account of the present necessity arises, Sir Ramaswamy suggested that the expedient of chartering shipping companies be resorted to.

This year's meeting of the Indian shipowners was particularly fortunate in that the Union Transport Minister was himself present to know at first hand, as it were, of the progress and problems of Indian shipping. He was most helpful in all that he said and he showed that he took a very realistic approach, especially when he said that the shipping companies have an "arguable case" in regard to their need for more finance. Furthermore, he readily responded to the appeal of Sir Ramaswamy and gave a categorical assurance that the public sector would abstain from competing with the private sector and would run its ships on entirely different routes—a splendid gesture to the concept of co-existence in the Indian economy. Again, the Transport Minister recognised that the target of two million tons envisaged by the Shipping Policy Committee could not be achieved without the co-operation of both the public and the private sectors. And, evidently realising the financial needs of the shipping companies, he even promised more liberal terms of loans. If all these measures take concrete form, as I hope they will, there is bound to be a bright future ahead of Indian shipping, as Mr. Shastri visualised.

only when the public and the private sectors work with complete understanding and in perfect collaboration.

The eighth anniversary celebrated last week, of the Bombay State Road Transport Corporation was notable for a few more reasons as well. For one thing, the occasion was invested with special importance, in that it was the first public function which Mr. Morarji Desai, Bombay's Chief Minister, who has taken a very keen interest in the creation, well-being, and progress of this institution, attended after his recent great ordeal at Ahmedabad. Secondly, this happens to be the last anniversary of this organisation in its present form. For, consequent on the reorganisation of States, it will have to make over a part of its assets and liabilities to the new Mysore (Karnatak) State, while taking over the responsibility for providing transport facilities to certain new regions in Marathwada and Vidarbha. Both Mr. R. G. Saraiya, the B.S.R.T.C. Chairman, and Mr. Morarji Desai referred to the effects of the reorgani-

sation of States and expressed the hope that there would be only one State Road Transport Corporation for the enlarged Bilingual State of Bombay. This means that, while the four districts in the present Bombay Karnatak will come under the jurisdiction of the new Mysore State, Saurashtra and Kutch in the North Vidarbha and Marathawada in the East will come within the purview of the bigger Bombay State Transport Corporation. As Mr. Saraiya observed, this will involve many problems of reorganisation and, in view of the large area and long distances to be covered, considerable decentralisation of authority as well. One other effect of the States Reorganisation will be the handing over to the new Mysore State of the Regional Workshop at Hubli. No doubt, this workshop requires to be considerably expanded before it could serve adequately the needs of enlarged Mysore, but the latter State, it is noteworthy, has the assurance of the B.S.R.T.C. Chairman that "till such time as the Regional Workshop in Hubli is able to meet the demand, the services of the Central Workshop at Dapodi will be available to Mysore". Here is a striking instance of how, when and where there is the will, any adjustment or readjustment can take place even as between two States without engendering the least bitterness or controversy.

As it is, the B.S.R.T.C. is an impressive organisation "the largest nationalised transport undertaking in the country", and there is no doubt that it will be one of the biggest of its kind in the world after November 1, 1956. On the eve of such momentous changes, Mr. Saraiya did well to outline the progress of the Corporation which I have reduced to the following table to facilitate comparison:

	1954-55	1955-56 (31-3-56)
Strength of fleet	..	4,300 (3,160 buses, 846 goods trucks and 295 departmental vehicles)
Capital Expenditure	..	Rs. 1,396.67 lakhs.
Route mileage covered	..	54,457
Employment	1,851	2,131
No. of effective mileage operated	619 lakhs	689 lakhs
No. of passengers carried	3.95 lakhs	4.62 lakhs
Rate of breakdown per 10,000 miles	1.89	1.64

The other achievements of the B.S.R.T.C. during the year ended March 31, 1956, included the taking over of 282 new routes, an increase of 19.7 per cent in the number of routes in operation over the previous year, the extension of the road mileage covered to 20,355

(which is about 92 per cent of the total motorable roads in the whole State) and the catering to the needs of as many as six lakh passengers in the peak season. Despite the fact that the expansion during the last year was mainly on bad and 'katcha' roads (the good roads having been fully covered earlier), it is gratifying to be told that the quality of service continued to be "generally maintained at the high level reached last year".

Of particular interest to me as a financial journalist is the financial position of the Corporation. According to Mr. Saraiya, "the financial side of the Corporation is becoming more satisfactory year by year", and, during the year 1954-55, "the Corporation showed a gross profit of Rs. 194.8 lakhs and, after providing Rs. 132.2 lakhs for depreciation, Rs. 15.55 lakhs for sinking fund in respect of the two debentures, the Corporation was left with a net profit of Rs. 47.3 lakhs, out of which Rs. 45.7 lakhs have been paid as interest at 4½ per cent per annum on the capital contributed by the two participating Governments". The results of working for the year 1955-56, Mr. Saraiya said, "show a more satisfactory record than 1954-55". Satisfactory as the position is in so far as it goes, there would appear to be scope for even better results, considering that, as against the total capital expenditure of Rs. 1,396.67 lakhs on 31-3-1956, the net profit figure of only Rs. 47.3 lakhs (for the year 1954-55) is not at all much. But, from what Mr. Saraiya said, the outlook for further improvement will be entirely determined by the extent of incidence of taxes. In this connection, after noting with satisfaction the trend of costs of operation so far, he expressed apprehension that it would be impossible for the Corporation to counter the effect of the steady increase of prices of spare parts, petrol, and high speed diesel oil, coupled with the increases in taxation on motor vehicles and in import duty on diesel engines and diesel engine parts, by measures of economy and rationalisation, so that they have necessarily to be passed on to the consumer eventually. Mr. Desai no doubt assured that the Government would not take to taxation "to cripple your activity." Bombay's Chief Minister also referred to the consequences of higher fares—that the Government too would come in for blame. So long as these assurances are implemented in the spirit in which they are made, it may be expected that this largest nationalised road transport undertaking will not have to face further increases in costs or be called upon to pass on to the consumers the incidence of increased costs. That is not a bad prospect, although I am not sure whether it is appreciation enough for an organisation responsible for bringing the scheme of nationalisation of passenger transport in the Bombay State almost to completion.

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BUSINESS NOTES

THE RESERVE BANK'S REPORT

AS A survey made by the apex organisation of the country's banking system, the Reserve Bank's statutory annual report is looked upon with considerable interest. This year, however, the report is robbed of much of its usual interest as the economic scene has been discussed through other media with more than ordinary attention in view of the completion of the first Five-Year Plan. Since the Reserve Bank report also examines the progress of the economy during the first Plan period, it traverses the same ground which has been covered by recent surveys. The quality of the programme of the first Five-Year Plan has not raised any issues of controversy and therefore any view of this subject tends to be alike the rest. Thus there is nothing new in the conclusion of the Reserve Bank's report regarding the Plan period that progress was achieved with stability virtually according to schedule but that price inflation received a stimulus in the last year, tending to disturb the firmness of the stability and calling for constant vigilance now on that elusive and complex problem of holding the price level.

The developments during the year under report—July 1955 to June 1956—in the world of Indian banking revealed improvement and further strengthening of the structure of banking. Licences to carry on banking business were granted under Section 22 of the Reserve Bank of India Act to 11 more banks, thereby increasing the number of licensed banks to 47. Besides this, account has to be taken of the State Bank of India and three State-associated banks, which do not come within the application of Section 22, in assessing the composition of the commercial banking system. These 51 banks are responsible for 90 per cent of the total deposits of banks, scheduled and non-scheduled. The report records with satisfaction the fact that the first round of inspection of banks by the Reserve Bank has been practically completed and the second one is under way. Response from banks in rectifying irregularities or defects expeditiously has been reassuring.

State Co-operative Banks are receiving further extension of accommodation from the Reserve Bank at the concessional rate of 2 per cent below the Bank Rate for financing seasonal agricultural operations and marketing of crops. As against the sanctioned limits of Rs. 21.21 crores for 15 State Co-operative Banks in 1954-55, assistance has been raised to Rs. 29.64 crores for 19 banks in 1955-56. Four 'ad hoc' committees have been set up to decide the new set-up of these banks in the light of the reorganisation of States. The second conference of representatives of State Financial Corporations was held under the auspices of the Reserve Bank in November 1955. Foremost among the subjects on the agenda was co-ordination of lending operations of the Corporations and different official or semi-official agencies providing finance for small industries. Nine pilot projects have been started in the country to investigate the practical shape to be given to the mode of co-ordination. In the absence of co-ordination some of the Corporations are labouring under severe handicaps in enlarging or even maintaining their business.

TARGET PRACTICE IN COTTON

NOW THAT the new 1956-57 cotton season has commenced, some target practice is only to be expected. But even before the completion of the 1955-56 cotton season, there were several occasions, off and on, when leading cotton men indulged in this pastime, the scarcity scare of quality cotton, that was weighing heavily

with the market for a time, providing the provocation. Thus, presiding over the nineteenth annual general meeting of the Cotton Buyers' Association, on August 8, 1956, Mr. Madanmohan Ruia drew pointed attention to the need for raising the production target for cotton during the second Plan period, which, incidentally, has commenced with the present cotton season.

When the country's textile target has been revised upwards, it is incumbent on the interests concerned to provide for a similar increase in the output of raw cotton. This explains why the question received such careful consideration, as it did a few days ago, at the hands of the Indian Central Cotton Committee. At its 74th annual meeting, held in Bombay last week, when Mr. M. S. Randhawa, Vice-President, Indian Council of Agricultural Research and Additional Secretary to the Union Ministry of Food and Agriculture, presided, the need, for higher cotton production was fully emphasised. Mr. Randhawa felt that the additional production of cotton ought to be achieved by the extension of irrigation facilities, the use of improved seeds and fertilisers and the adoption of modern agronomical practices. He also pointed out that the time had come for this country to pay increased attention to the production of long-staple cotton, that is, cotton of 1-1/8" staple and over. If successful, this would result in a substantial saving in imports of long-staple cotton. By the way, the production of long-staple cotton was 15.22 lakh bales in 1955-56, showing a rise of as much as 35 per cent, as compared to the base year 1950-51.

It is significant that Mr. Randhawa made a strong plea for stepping up the production of harsh short-staple cottons, such as Bengal Deshi and Assam, in order to facilitate larger foreign earnings, inasmuch as it is these qualities that find a ready market abroad.

It may be recalled here that, when at its previous meeting last year, the ICCG considered the target of 20.42 million acres and 55.86 lakh bales for the second Plan period, some doubts were expressed as to whether the targeted area for cotton cultivation was not on the high side and whether more or less similar results could not be achieved by recourse to intensive cultivation, thereby ensuring a higher per-acre yield. The scope for intensive cultivation was believed to be substantial in view of the implementation of several irrigation projects and the progress made in the development and expansion of fertilisers and compost manure. In any scheme for evolving a fertiliser schedule for the cotton-growing areas, care should be taken, it was stressed, to see that cotton responds to the application of nitrogen. An important finding in the Mysore Physiological Scheme was that Egyptian cotton did not respond to the application of nitrogen and that better yields were obtained only when nitrogen was supplemented with either phosphate or potash or both.

PROGRESS OF COTTON DEVELOPMENT PROGRAMME

MEANWHILE, it is interesting to learn that satisfactory progress has been made by the ICCG in its extension scheme for breeding long-staple cottons in the Punjab, as recommended by the Agricultural Subcommittee of the ICCG last year. In fact, under certain projects which have been completed, an area of 2.13 lakh acres has been brought under irrigation, and it is expected that a further 10.54 lakh acres would be brought under cultivation. The additional production of cotton out of these projects is estimated to be about 6 lakh bales.

In view of the steady increase in cotton consumption lately, there is every reason why cotton production should be accelerated. The target has now been tentatively fixed by the ICCC at 55 lakh bales. This is about 31 per cent over the target fixed under the first Plan. It may be noted here that the Planning Commission's target for the first Five-Year Plan period was achieved by the trade even last year, that is, a year ahead of schedule. While Nature proved to be extra liberal for the greater part of the first Plan period, it does not seem from available indications that there would be the same smooth sailing during the second Plan period as well. Floods have destroyed a good lot of cotton resulting in scarcity of quality cotton this season. The achievement of a higher target, whether to meet domestic needs or to eliminate imports or to provide against inflation, may well turn out to be difficult enough to call for all the available talent for the purpose.

The importance of constituting State Cotton Committees where these do not exist now has also been duly stressed by the ICCC. The need for exchange of views, the resulting benefit to cotton production via the implementation of certain schemes which have been found beneficial in one State was doubly underscored by the Committee.

The foregoing consideration makes it imperative that, in any programme of expansion of cotton production, the important role of the cultivator be recognised. Every effort should be made to make him believe—and make it also possible—that his profession is paying and remunerative. Hence all the importance of the price factor. If, when cotton prices go below a given level, steps are not taken promptly and immediately to arrest and reverse the trend, all efforts to accelerate the production tempo would be nullified. It is imperative, therefore, that the Government keeps a vigilant watch over the price movement and prevent both a speculative rise in cotton prices—which would be harmful to the consumer, who is already saddled with the excise duty—and an unjustified decline—which would hit the cultivator.

INDIAN ALUMINIUM'S SIGNIFICANT AGREEMENT

IT IS a healthy sign of dynamism that the private sector is taking the initiative more and more in setting an enduring basis for industrial peace and securing real voluntary co-operation between workers and management. The signing of a comprehensive five-year agreement last month between the management of the Indian Aluminium Company and the Indian Aluminium Belur Works' Employees' Union is certainly a notable achievement in this direction. One of the outstanding features of the agreement is the mutual understanding between the parties of their respective rights and responsibilities. Such an understanding is absolutely essential for smooth industrial relations. It comes as a much-needed corrective to the prevailing attitudes on the part of trade union leadership in particular which tend to ignore labour's responsibilities and concentrate almost exclusively on its rights. The agreement provides that there would be no strike and no lock-out during the five-year period and all differences would be settled by joint consultation according to a prescribed procedure. Such pacts need to be adopted on a nation-wide scale for the successful execution of the Plan. The basic principles of job evaluation, standard fixation and revision are in detail agreed to by the management and labour and wage rates have been fixed by joint bodies representing labour and management.

By far the most novel feature of the agreement is with regard to the payment of bonus. The parties have

agreed that the payment of bonus on the company's earnings or profits is not a sound mode and that a rational technique consists in relating bonus to production. The agreement therefore, provides that bonus should be related to and paid on plant efficiency and output. Accordingly, there will be two bonus schemes which will run concurrently. Of these, one is based on plant efficiency fixed by the Joint Standards Committee and the other is based on total output in tonnage. The former is paid monthly and the latter annually. This agreement on bonus is to be welcomed for the reason that it links higher earnings with higher effort and provides a concrete incentive to productivity.

The articles on joint consultation and grievance procedure are the other highlights of the agreement which follow the usual pattern in industrially advanced countries. In pursuance of this, five joint committees, viz., Joint Personnel Relations Committee, Joint Production Committee, Joint Job Evaluation Committee, Joint Standards Committee and Joint Canteen Committee, which were established under the first Agreement between the Company and the Union, are to be re-established for the term of the new agreement. All the joint committees are consultative and advisory. But it is implicit in the spirit of understanding between the two parties that the advice will be treated with respect and consideration it is entitled to. The agreement also provides that grievances will be settled expeditiously at the lowest level and only when this is not possible will this be handled and settled at higher levels. For the first time, both sides have agreed to introduce 'shop stewards' who will be nominated by the Union from amongst the workers in different sections and shifts to represent workmen's grievances according to the Grievances Procedure and forward a list of names of shop stewards nominated to the management. The grievances will be handled in accordance with a procedure laid down. This agreement, like the one arrived at between TISCO's workers and the management, holds promise of success because it is voluntary. An attempt to impose joint consultation by legislation will not necessarily command this basic advantage. These agreements are of great significance because they seek to give a direction to industrial relations on progressive lines.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

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

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COMPANY AFFAIRS

TEXTILE MACHINERY CORPORATION LTD.

The Company's net sales of manufactured goods for the year ended December, 1955, at over Rs. 2.34 crores show a sharp increase of close on a crore of rupees over the previous year's figure of nearly Rs. 1.42 crores. The sales include inter-department transfers amounting to Rs. 8.90 lakhs. At the same time the closing stock valued at Rs. 47 lakhs is over 2½ times the closing stock of the previous year at a little over Rs. 18 lakhs. The manufacturing expenses, including salaries, wages, bonus, raw materials and stores, etc., are Rs. 1.75 crores as compared to some Rs. 91 lakhs for 1954. Thus, during the year under report, production and sales have shown a steady increase. This is reflected in a 300 per cent increase in profits, from Rs. 9.45 lakhs in the previous year to Rs. 30.76 lakhs in the year under report (after providing Rs. 20 lakhs for depreciation).

The year's profit and the balance of Rs. 1.48 lakhs brought forward from the previous year make a total of Rs. 32.24 lakhs. From this amount, the Directors have provided Rs. 11 lakhs for taxation, Rs. 5 lakhs for plant rehabilitation and Rs. 7.24 lakhs for general reserve, leaving a balance of Rs. 9 lakhs. The Directors have declared the interim dividend on 6 lakhs ordinary shares of Rs. 10 each at Re. 1 per share, free of income-tax, which has absorbed Rs. 6 lakhs. They have also recommended payment of dividends on 10,000 cumulative preference shares (tax free) and 30,000 redeemable preference shares (less tax), (both categories of shares are of Rs. 100 each) at 5½ per cent per annum in both cases, which absorb Rs. 55 thousand and Rs. 1.22 lakhs respectively. The balance of Rs. 1.23 lakhs is carried forward to the next account.

To meet the requirements of additional finance for the Company's new projects, the authorised capital was increased during the year from Rs. 1.5 crores to Rs. 4 crores by the creation of 14 lakh new shares of Rs. 10 each and 1.10 lakh shares of Rs. 100 each. Out of this, shares of Rs. 10 each worth Rs. 90 lakhs were issued and were fully subscribed. The Company has a spacious programme of expansion and has entered into agreement with some foreign firms for technical collaboration. Among the items proposed to be manufactured in collaboration with Japanese, British and American firms are carding engines and their important accessory card clothing; jute mills machinery; sugar mills plant, and locomotive boilers. The Company completed the erection of the steel foundry plant, during the year, which was put into commission towards the end of the year.

TISCO ANNUAL MEETING

This year's annual meeting of Tata Iron and Steel Co., Ltd. reflected how sensitive to changing interest patterns are the equity shareholders of today. As a matter of fact, practically every shareholder who spoke at the meeting seemed to lay especial stress on the extent of return on his holdings. It was, of course, natural that some concern should have been expressed about the dividend for 1956-57, by reason of the new issue of shares on which some calls have yet to be made. In view of the fact that the return would be determined by the amounts paid up against these calls, it was to be expected that they would solicit information on the subject, so as to make sure that, at least by March 31, 1957, both the new and the old shares would be on the same footing. The reply of Mr. J. R. D. Tata, the Chairman, to all questions was informative,

but not altogether reassuring. His reply that, of the two calls pending against the issue of new shares, one would be made by the end of this year and the other sometime next year, for instance, left the shareholders very much in the same uncertain position as they were in before the Tata Chairman spoke. In other words, it does not seem probable, in the light of what Mr. Tata said, that the new shares would rank 'pari passu' with the old shares by the end of this year, as the shareholders would have liked. Similarly, as regards the dividend for the current year, Mr. Tata threw no more light than when he addressed the shareholders last year, although, by the illustration he gave, it must be said, the position stands fully clarified. Thus, he said that the return on a 5 per cent basis on the Rs. 35 paid-up share worked out to Rs. 1-12-0 per annum and that a payment of Rs. 12-4-0 per share on the increased capital (Rs. 1-12-0 being 5 per cent return on Rs. 35 paid-up plus Rs. 10-8-0 being the dividend per share which the TISCO has been giving) could be distributed in proportion to the paid-up value of the shares. In other words, the old shares (fully paid) would get Rs. 9-3-0 per share and the new shares (partly paid) Rs. 3-1-0 per share, comprising a tax-free dividend of Rs. 2-1-0 and an interest of Re-1-1-0 per share.

Another demand of the TISCO shareholders at the meeting was for the issue of a bonus share to mark the completion of 50 years by the Company. What was interesting, however, was not so much this demand as the several ingenious suggestions put forward by them to make it possible for the management to accede to their request. One of them, for example, wanted all the premiums collected on the new shares at the rate of Rs. 15 per share, together with a small portion from the reserves, to be utilised for this purpose (bonus issue). He also linked up this suggestion of his with a proposal to raise the present paid-up value of the equity shares to Rs. 100 per share; or, to put it differently, he wanted the share premiums to be capitalised without delay. It was not only the premium on the new shares that was suggested to be disposed of thus; one of the shareholders even went so far as to suggest that the premiums collected on the Company's deferred shares some years ago should be employed for this purpose. There were suggestions too that the Company's holdings of TELCO shares should be either distributed as bonus or sold to TISCO shareholders.

Clearly, there are difficulties, both legal and practical, in the way of acceding to these requests, as the Vice-Chairman of the Company, Mr. J. D. Choksi, fully explained. Mr. Tata, however, promised carefully to consider the shareholders' proposal for commemorating the Golden Jubilee of the company in a suitable way.

Some other points of interest to shareholders were mentioned by Mr. Tata in the course of his replies. Thus, he disclosed that there were still 27,265 shares valued at about Rs. 9 lakhs of the new issue of shares that had not been applied for. Mr. Tata expressed the hope that these shareholders would yet come forward, wherefore, there was no question, he declared, of any suggestion by Government either in regard to the allotment of these shares or in respect of their open sales to the public. Referring to the TISCO investment in the Indian Tube Co., Mr. Tata informed the shareholders that this amounted to Rs. 1.47 crores at present but that it would go up soon to Rs. 3.20 crores. The Indian Tube Co., he expected, would offer shares to the public if it decided to expand further and issue

fresh capital. Mr. Tata also indicated that the dividend for the current year, i.e. 1956-57, would, in all likelihood, be tax-free in the hands of the shareholders. This can be interpreted to mean that the Company's profits would be large enough to attract assessment by the tax authorities, notwithstanding its large outlay on development and expansion programmes which entitle the Company to claim not only development rebate but all types of depreciation allowances.

Finally, the TISCO Chairman told the shareholders that there was no penalty clause, even as there was no special incentive bonus clause, in the Company's agreement with the Kaiser's of the USA. It may be mentioned here that the two-million-ton programme of the Company has been entrusted to the Henry J. Kaiser Corporation of Oakland, California, known for their industrial and engineering experience and also their ability to get things done quickly. So far, the estimated cost of the new plant has been quite in the neighbourhood of the approximate figure mentioned by Mr. Tata in 1955 of Rs. 60 crores. It is expected that, together with contingencies, the final figure would amount to only Rs. 62 crores and the total cost of the scheme as a whole to Rs. 75 crores. Of this latter sum, Rs. 9 crores, to be spent on site clearance, modification to existing shops and mills to tie them into the 2-million-ton programme, would be spread over four years, i.e. up to the end of 1959-60; expenditure on colonies, ore mines and quarries to meet the added requirements of the programme would account for a further Rs. 2.65 crores, while the Electric Ferro-manganese plant would take up another Rs. 2 crores. According to Mr. Tata, a sum of Rs. 25 crores is to be secured from retained earnings accruing to the Plant Rehabilitation Fund and the Development Reserve, during the five years ending 1959-60, as also from future borrowings.

INDIAN COPPER CORPORATION LTD.

The working results of the Company for the year ended December, 1955, far exceed those for the previous year constituting a record in the annals of the Corporation. This is directly attributable to the consistent rise in the world price of copper; the maintenance of a high production standard and satisfactory despatches have also been responsible for achieving the good results. However, the high prices for copper have shown a rapid decline since early 1956 to nearly two-thirds of the peak reached, which is likely to result in the current year's results not approaching those of the year under review.

The profit for the year, before providing for depreciation, taxation and reserves amounted to over £1.47 million as compared with £898,382 in 1954. Provision for taxation has been made at £683,046, and for depreciation at £175,000. A sum of £200,000 has been allocated to general reserve which is £50,000 more than the last year's allocation. To the remaining £416,758 has to be added £111,715 brought forward, making a total of £528,473. The Directors have recommended a final dividend of 10 per cent and a bonus of 25 per cent (in addition to the 10 per cent interim dividend already paid) all free of tax, which between them absorb £411,390, leaving £117,083 to be carried forward.

During the year the Company had made an application to the Governments of India and the UK for capitalising a portion of its reserves in order to bring the issued capital more into line with the capital employed in business. An issue of one unit of stock for each two units held has been sanctioned.

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COMMODITY NEWS AND NOTES

RISE IN COTTON PRODUCTION

The average yield per acre of cotton production in India rose from 78 lbs. in 1952-53 to 91 lbs. during 1953-54. For the same period the total area and production of cotton comes to 17.03 million acres and 39.35 lakh bales (of 392 lbs. each) as against the partially revised estimate of 15.69 million acres and 31.31 lakh bales respectively for 1952-53. Thus there was an increase of 1.33 million acres or 8.5 per cent in area and 8.04 lakh bales or 25.7 per cent in production. A significant feature of the increase in production of raw cotton in India since the partition has been a continuous rise in the proportion of long staple varieties in the total cotton production and a decline in the share of medium and short staple cottons. This information is given in the publication entitled: "Cotton in India" 1953-54 issued by the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. The publication also contains an analysis of the cotton situation together with useful statistical data relating to area, production, trade, consumption, stocks and prices of raw cotton both for India and for the world, for the two years ending 1953-54.

EXPANSION OF RUBBER CULTIVATION

A scheme for bringing more land under rubber is now being examined by the Government of India, stated Shri Nityanand Kanungo, Minister for Consumer Industries recently. Shri Kanungo said the scheme had been proposed by the Rubber Board recently and involved an extension of rubber cultivation by one lakh acres, over a period of 10 years. The Board had also proposed that Government should grant a long-term loan at the rate of Rs. 750 per acre. Shri Kanungo added that a scheme for replanting 70,000 acres under rubber with high yielding strains over a ten-year period had already been sanctioned. The scheme would involve an expenditure of about Rs. 2.26 crores.

PRODUCTION AND EXPORT OF TEA

In a written reply to a question by Shri M. Valiulla in the Rajya Sabha, Sardar Swaran Singh, Minister for Commerce and Consumer Industries, stated that the Indian tea crop for 1956 was estimated at 655 million lbs. The Minister said that export quotas equivalent to 40 per cent of the estimated crop had so far been released for 1956-57. Further releases would be made depending upon actual production and estimated international consumption. About 206 million lbs. of tea out of the tea crop of 1955 had been consumed in the country during 1955-56.

OUTPUT OF LEAD AND ZINC ORE IN INDIA

The daily output of zinc and lead ore in India was 300 tons at present, stated Shri K. D. Malaviya, Union Minister for Natural Resources, in a written reply to a question by Shri Balwant Sinha Mehta in the Lok Sabha recently. The Minister further added: "Government has advised the Company working the mines at Zawar to increase it to 1,000 tons by 1960 or earlier".

NO INCREASE IN UK TEA IMPORTS

India accounted for over 55 per cent of the 318,376,000 lb. of tea Britain imported in the first seven

months of this year. This total was an increase of over 24,000,000 lb. over that for the same period in 1955. The value of these worldwide imports, however, dropped by £14,250,000 to £64,387,000, although this figure was still over £7,500,000 more than that for the first seven months of 1954. In July of this year, Britain's imports of tea from both India and Pakistan were nearly doubled, compared with those in July of last year. India sent 20,875,000 lb., worth £3,753,000, compared with 10,551,000 lb. to the value of £1,919,000; and Pakistan 1,141,000 lb. (£160,000), compared with 577,000 lb. (£94,000). In the seven months India sent 178,626,000 lb. (£35,802,000), compared with 155,161,000 lb. (£45,012). The 14,173,000 lb. of tea, worth £3,320,000, that Ceylon sent to Britain in July compared with the 14,450,000 lb. sent in July last year, for which Britain paid £2,784,000. In the first seven months of this year, Ceylon sent 78,996,000 lb. (£19,733,000), compared with the 72,980,000 lb. (£19,089,000) sent in the same period last year. Of the 315,000,000 lb. of tea Britain imported from all sources to the end of July this year, all but 20,000,000 lb. came from the Commonwealth.

TOBACCO EXPERT COMMITTEE TO VISIT CALCUTTA

The Tobacco Expert Committee, set up by the Government of India in January this year is headed by Shri K. Raghuramaiah, M.P. It will enquire into, among other things, the departmental procedure now in force for assessment of duty on tobacco on the basis of criterion of capability of use for the manufacture of 'biris'; methods adopted for estimating the produce of tobacco-growers for purposes of accounting and assessing and procedure for disposal of losses, intransit, storage and processing of tobacco.

TEA PRODUCTION IN SOUTH INDIA

South Indian tea output in July 1956 was slightly higher at 7.8 million lbs. compared with 7.7 million lbs. in the same month of last year, according to trade sources. Total production during the current year up to the end of July, however, was lower at 73 million lbs., compared with 75.8 million lbs. in the corresponding period of last year.

NEW CEILING ON TEA EXPORTS

The Government of India have fixed an important ceiling of 160 million lb. of tea for auctions in London, out of the 1956-57 North Indian crop. The Government, however, do not propose, for the time being, to prescribe a ceiling for the South Indian tea, an adequately high proportion of which is already being sold at the Cochin auctions. The Government prescribed in July, 1955, a ceiling of 140 million lb. of tea consigned to auctions abroad from North India. This step, according to a Tea Board press note, was taken with a view to expanding progressively tea auctions in India. Due to a world wide recession in prices during 1955-56 and a temporary imbalance between supply and demand the Government at the request of the industry, suspended the operation of the ceiling from February 21. The press note said that as compared to the total sales of 299,671,000 lb. at the Calcutta auctions during 1954-55, the figure went up to 334,161,000 lb. in 1955-56, the increase under export sales being from 174,996,000 lb. to 250,332,000 lb. In fixing the ceiling, the Government have taken into consideration all facts and also the needs of other centres where substantial quantities of Indian tea are traditionally auctioned.

A Letter to the Editor

PLANTATION INDUSTRY

Sir,

In "Business Notes" of your issue of the 31st August, 1956, there is reference to the numbers employed and the foreign exchange earned by the Plantation Industry.

The Industry's importance is considerably greater than indicated, for a million people are employed in Plantations. Tea's earnings of foreign exchange have averaged some 130 crores in the last two years, and contributions to Central Revenues are not less than Rs. 30 crores.

That sections of this great industry—the biggest employer of organised labour in India—are in grave difficulties is only too true, and if taxation and costs of production cannot fall, the only solution as you have rightly pointed out, is increased consumption.

Yours faithfully,

J. L. LLEWELLYN,

Deputy Chairman, Indian Tea Association.

CALCUTTA,
7th Sept., 1956.

[The figures of employment and foreign exchange earnings of tea plantations mentioned in the Business Note referred to plantations in South India only. We regret that this fact was not specifically stated in the note which dealt exclusively with the speech of the President of UPASI at its last annual general meeting.—Ed.]

men at the helm...

BOARD OF DIRECTORS

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrs.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	354.4	467.7	359.2	387.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56 ..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
January 1956 ..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February ..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March ..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April ..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May ..	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June ..	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July ..	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August ..	397.4	500.5	406.4	387.7	565.0	418.6	90.3	100.3	85.2	127.5
Week Ending 7-7-1956 ..	374.9*	490.9	395.1	385.1	560.8	407.7*	91.2	100.5	85.5	124.7
14-7-1956 ..	377.3*	487.8	393.4	385.4	557.7	406.8*	91.2	100.5	85.5	124.7
21-7-1956 ..	382.3*	493.2*	394.9	386.0	560.8	409.9*	91.1	100.4	85.2	125.7
28-7-1956 ..	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.3
4-8-1956 ..	391.5	493.2	400.4	385.7	563.7	413.6	91.0	100.3	85.2	126.7
11-8-1956 ..	397.7	497.4	405.0	387.2	567.0	417.9	90.9	100.3	85.4	127.0
18-8-1956 ..	401.1	505.1	409.5	388.0	564.6	421.1	90.8	100.4	85.3	127.9
25-8-1956 ..	399.1	505.6	411.1	389.7	565.0	421.4	90.7	100.3	85.0	128.5

†Economic Adviser's Series.

††Reserve Bank Series.

Revised*

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Ahmedabad June 1934=100				Kanpur	Jubbulpur				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1940	288	303	243	132	339	471	372	309	168	136	134
1941	292	307	248	132	348	478	377	323	164	138	138
1942	298	313	257	132	349	434	372	325	165	145	138
1943	314	330	261	142	370	451	391	334	167	160	144
1944	321	337	250	143	351	441	380	330	161	164	141
1945	346	363	275	140	349	453	387	351	147	156	145
1946	342	359	244	138	327	408	373	341	148	140	138
1947	322	338	218	130	323	371	364	321	134	135	132
1955 September	317	333	224	133	327	373	367	322	138	137	132
October	316	331	225	134	334	385	369	323	139	139	134
November	314	330	229	136	339	392	369	327	144	141	136
December	316	332	230	140	329	393	375	334	148	141	135
January 1956	318	334	226	139	319	404	378	334	147	138	133
February	321	367	224	137	315	394	385	333	146	132	133
March	334	350	230	139	325	398	387	340	148	142	138
April	342	356	239	140	338	409	397	—	—	—	142
May	341	357	236	141	342	408	397	—	—	—	143
June	342	358	240	141	350	419	—	—	—	—	148
July	338	364	244	—	—	436	—	369	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	7-9-1956			31-8-1956			24-8-1956			17-8-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	103-10	102-6	103-1	103-11	102-7	102-14	104-8	103-6	103-15	105-5	103-10	104-7
Silver (per 100 fine tolas)	174-12	172-4	173-10	172-9	170-13	171-12	73-5	171-11	172-8	173-10	171-14	172-10

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
1949-50*	(5.58)	(—)	(5.58)	40.02	647.04	687.06	59.59	59.53	415.36	1,152.94
1950-51*	1,128.94	24.00	1,152.94	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,163.21	17.19	1,180.40	40.02	625.27	665.29	56.31	63.98	488.36	1,217.63
1952-53*	1,189.84	27.78	1,217.62	40.02	664.40	704.42	57.89	80.22	458.08	1,142.72
1953-54*	1,114.84	27.87	1,142.72	40.02	694.02	734.04	64.80	92.83	430.11	1,166.97
1954-55*	1,133.95	23.03	1,156.97	40.02	689.31	729.33	62.99	102.25	428.61	1,219.17
1955-56*	1,197.05	22.98	1,219.17	40.02	656.52	696.54	57.15	106.88	553.20	1,356.47
1956-57*	1,339.39	17.08	1,356.47	40.02	—	—	—	—	—	—
Average of Fridays	—	—	—	—	—	—	—	—	—	—
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	574.69	1,400.73
February ..	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	603.24	1,411.56
March ..	1,446.41	11.13	1,457.54	40.02	678.87	718.89	49.20	103.18	637.47	1,457.54
April ..	1,509.33	15.96	1,525.29	40.02	682.69	722.71	47.38	106.38	696.21	1,525.29
May ..	1,516.70	13.36	1,530.06	40.02	681.45	721.47	47.15	104.89	703.91	1,530.06
June ..	1,496.50	22.32	1,518.82	40.02	662.53	702.55	46.25	105.59	710.68	1,518.82
July ..	1,465.35	21.91	1,487.26	40.02	624.16	664.18	44.51	109.49	718.59	1,487.26
Week Ending	—	—	—	—	—	—	—	—	—	—
3-8-1956 ..	1,447.15	30.29	1,477.43	40.02	616.68	656.70	44.45	112.12	708.62	1,477.43
10-8-1956 ..	1,451.78	25.95	1,477.73	40.02	616.68	656.70	44.44	112.42	708.62	1,477.43
17-8-1956 ..	1,445.44	23.65	1,469.09	40.02	606.68	646.70	44.02	113.77	708.62	1,469.09
24-8-1956 ..	1,431.62	24.05	1,455.66	40.02	606.68	646.70	44.43	115.26	693.72	1,455.66
31-8-1956 ..	1,424.51	32.63	1,457.15	40.02	606.68	646.70	44.38	116.74	693.72	1,457.15

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.96	47.24	2.62	406.95	1.57	21	81.53	4.85
1948-49*	222.17 (14.33)	6.62 (3.04)	80.83	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71 (1)	3.34	75.65	4.14
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	28.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
Average of Fridays														
January 1956	53.56	12.51	59.90	17.49	142.53	41.28	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February ..	61.12	13.65	56.38	15.85	147.00	49.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March ..	57.51	37.22	49.25	16.93	159.51	48.99	220.30	11.26	9.53	65.31	1.60	3.88	39.44	17.33
April ..	56.21	30.15	52.14	17.16	155.66	48.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
May ..	61.44	10.27	50.36	13.04	135.11	53.24	198.35	13.48	9.79	35.69	2.36	81.42	37.02	18.61
June ..	56.43	8.33	51.92	12.97	129.65	57.81	197.46	22.42	8.94	31.55	3.94	73.96	37.75	18.99
July ..	66.46	8.06	52.39	12.23	139.15	57.81	196.96	27.03	5.24	43.55	4.02	63.43	45.80	7.95
Week Ending														
27-7-1956 ..	76.16	6.84	53.35	12.22	148.56	58.02	206.58	33.15	3.46	42.75	5.16	65.54	49.39	7.31
3-8-1956 ..	61.05	5.80	47.90	12.22	127.02	58.66	185.68	30.38	2.41	36.79	5.04	55.37	49.41	6.27
10-8-1956 ..	54.04	9.38	51.04	11.88	126.35	59.32	185.67	26.04	98	32.02	7.08	63.85	49.41	6.28
17-8-1956 ..	53.72	5.58	53.44	11.92	124.66	61.18	185.84	23.81	2.33	34.39	7.30	60.79	50.12	7.09
24-8-1956 ..	61.58	5.70	55.44	12.50	135.23	44.90	180.13	24.24	3.00	28.79	7.64	54.98	50.13	11.34
31-8-1956 ..	65.77	2.91	56.56	12.27	137.50	46.08	183.58	32.03	3.87	24.94	8.06	52.16	50.12	11.61

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8+9) as per- centage of (4)	Investat- ments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	62.08	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.70
Average of Fridays										
February 1956	631.25	415.19	1,046.45	35.18	54.67	8.59	551.12	138.15†	66.56	364.86
March "	622.44	415.29	1,037.72	34.83	48.43	8.10	589.55	144.18†	71.41	356.65
April "	649.02	423.19	1,073.31	37.74	50.99	8.34	604.85	150.65†	71.04	393.43
May "	634.35	432.68	1,071.01	37.76	48.68	8.15	614.22	153.14†	71.82	354.97
June "	619.61	444.93	1,083.54	37.96	49.77	8.18	612.04	151.64†	71.20	348.65
July "	639.21	454.34	1,080.70	37.76	49.95	8.11	603.33	143.82†	69.16	349.38
Week Ending										
3-8-1956	636.08	458.08	1,077.47	36.01	49.56	7.94	596.47	142.61†	68.59	361.35
10-8-1956	637.86	459.67	1,079.60	35.52	49.25	7.85	595.17	143.99†	68.47	361.48
17-8-1956	644.76	460.02	1,085.73	37.62	50.41	8.11	594.67	141.78†	67.83	361.22
24-8-1956	654.47	461.91	1,096.37	37.53	50.72	8.05	591.81	144.19†	67.13	362.02
31-8-1956	654.74	461.32	1,096.13	37.58	51.67	8.14	587.70	147.45†	67.07	361.42

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09*	679.23	667.22	12.01	+263.69
June 1955	1,988.42	1,343.74	644.67	623.43	10.39	-1.87
July "	1,974.91	1,324.80	650.11	619.53	10.39	-22.48
August "	1,995.61	1,314.74	680.88	632.86	11.60	+4.47
September "	1,965.49	1,309.69	654.71	632.36	11.70	-5.43
October "	2,008.47	1,331.40	677.08	635.72	11.12	+24.48
November "	2,014.88	1,351.24	663.64	640.40	10.81	+24.22
December "	2,047.15	1,385.87	661.28	650.14	11.14	+44.69
January 1956	2,094.21	1,407.67	686.55	674.12	12.43	+47.06
February "	2,108.97	1,435.69	673.28	661.97	11.31	+14.76
March "	2,184.32	1,505.09	679.23	667.22	12.01	+75.35
April "	2,231.13*	1,542.22*	688.90*	676.40*	12.50	+46.87*
May "	2,228.99*	1,543.35*	685.65*	675.03*	10.61	-2.14*
June "	2,191.21*	1,510.56*	680.64*	669.48*	11.16	-37.78*

* Provisional.

† Excluding balances held on I.M.F. Account No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDIA'S TRADE WITH THE U. K.

I. PRINCIPAL EXPORTS

(Thousand £)

	Full Year 1955	July 1955 1956		7 Months Jan.-July 1955 1956	
Total All Exports	158,949	10,237	11,535	92,433	85,634
Of which :-					
Tea	75,420	1,919	3,754	45,012	35,802*
Leather, leather manufactures & dressed furs	12,625	1,339	1,073	7,168	7,705*
Tobacco & tobacco manufactures	7,177	861	1,477	4,403	5,824*
Wool & other animal hair and tops	4,911	560	200	2,754	2,785*
Cotton	4,535	389	126	2,057	2,884*
Miscellaneous textile fibres & waste	1,392	129	80	991	553*
Crude fertilisers & crude minerals, excluding fuel	1,978	200	122	1,186	1,142*
Metaliferous ores & metal scrap	2,431	352	218	1,561	1,563*
Miscellaneous animal & vegetable crude materials	4,949	444	333	2,905	2,458*
Animal & vegetable oils, fats, greases & derivatives	8,497	1,085	2,189	3,937	7,076*
Cotton yarn & woven fabrics	7,041	610	707	4,344	4,842*
Miscellaneous textile manufactures	14,400	1,222	743	9,487	7,003*

II. PRINCIPAL IMPORTS

(Thousand £)

	Full Year 1955	July 1955 1956		7 Months Jan.-July 1955 1956	
Total All Imports	129,793	7,649	13,288	68,466	99,126
Of which :-					
Machinery other than electric	32,344	2,094	3,592	16,549	26,999
Electric machinery, apparatus & appliances	16,246	832	1,690	8,307	12,375*
Wool & other animal hair and tops	4,818	276	589	2,684	3,419*
Petroleum & petroleum products	1,737	54	75	968	1,452*
Chemicals	16,148	1,009	1,432	8,458	11,157*
Caper, paperboard & manufactures thereof	1,717	105	78	1,048	919*
Iron and steel	8,825	253	1,519	3,928	9,612*
Non-ferrous base metals	2,248	136	409	1,228	1,749*
Manufactures of metals	6,984	256	741	3,975	8,515*
Railway vehicles	3,365	243	419	2,289	3,599*
Road vehicles & aircraft	10,038	735	911	5,897	6,917*
Scientific instruments; photographic & optical goods; watches & clocks	2,975	209	280	1,670	1,682*

III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Full Year 1953	July 1955 1956		7 Months Jan.- July 1955 1956	
Total Machinery	48,590	2,926	5,282	24,866	39,374
Of which :-					
Boiler & boiler-house plant	1,782	116	193	915	1,564
Internal combustion engines	1,787	83	181	878	1,395*
Agricultural machinery	187	17	19	99	118*
Agricultural & track-laying tractors	908	71	81	533	761*
Machine tools (excluding portable power tools)	2,498	129	208	1,316	1,487*
Pumps	837	35	71	373	547*
Industrial & works trucks & tractors & mechanical handling equipment	1,504	96	198	891	1,437*
Excavating & earth-moving machinery & road rollers	1,395	97	66	765	1,205*
Mining & well drilling machinery	414	37	38	200	291*
Printing & bookbinding machinery & printing type	700	41	99	306	509*
Textile machinery	7,296	537	701	3,665	4,282*
Air-conditioning & refrigerating machinery	296	13	31	154	200*
Generating sets, generators & motors	2,224	89	261	2,171	1,893*
Converting machinery, transformers, switch gear & switchboards	3,954	192	387	2,171	2,819*
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,979	84	91	1,043	1,076*
Telegraph & telephone equipment & line apparatus	645	10	63	386	371*
Electric cables, wires, strips & strands, insulated	3,927	263	431	1,786	2,534*

Source:—Trade and Navigation Accounts of the U.K. (H.M.S.O.)

**INDEX NUMBERS OF COST OF LIVING AND WHOLESALE PRICES
IN FOREIGN COUNTRIES**
(Monthly averages or calendar months)
(Base 1953=100)

		Cost of Living			Wholesale Prices		
		Japan	U.K.	U.S.A.	Japan	U. S. A	U. K.
1950	..	77	81	90	70	94	80
1951	..	89	89	97	97	104	97
1952	..	94	97	99	100	101	100
1953	..	100	100	100	100	100	100
1954	..	106	102	100	99	100	101
1955	..	105	106	100	98	100	104
1955 January							
February	..	106	104	100	98	100	103
March	..	106	104	100	99	100	103
April	..	100	105	100	98	100	102
May	..	106	105	100	97	100	101
June	..	105	107	100	96	100	102
July	..	105	107	100	97	100	104
August	..	105	106	100	97	101	104
September	..	105	107	100	97	101	105
October	..	106	108	100	98	101	105
November	..	104	110	101	97	101	106
December	..	103	110	100	98	101	106
1956 January							
February	..	104	109	100	98	102	—
March	..	105	109	100	99	102	—
April	..	106	111	100	99	102	—
May	..	106	112	100	100	103	—
June	..	—	112	101	101	104	—

Source: U.N. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate	Area		Yield	
		Acres ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)	Tons ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)
Food grains:					
Rice	Final	1955-56	76,253	+0.4	25,474
Wheat	Final	1955-56	29,225	+6.2	8,348
Sower	Final	1955-56	42,721	-1.7	6,940
Bajra	Final	1955-56	27,025	-3.4	3,400
Maise	Final	1955-56	8,909	-4.3	2,519
Ragi	Final	1955-56	5,711	-1.5	1,844
Barley	Final	1955-56	8,145	-2.0	2,721
Oats	Final	1955-56	22,902	+3.9	4,885
Sugar cane	Final	1955-56	4,416	+11.5	5,859
Oilseeds & Edible—					
Sesamum	Final	1955-56	5,738	-11.7	458
Groundnut	Final	1955-56	12,585	-7.1	3,804
Rape & Mustard	Second	1955-56	2,386	+7.2	..
Non-edible					
Limeed	Final	1955-56	3,424	+2.1	376
Castorseed	Final	1955-56	1,462	+4.9	126
Cotton	Final	1955-56	20,230	+8.3	3,998
Sisal	Final	1955-56	1,581	+27.2	4,137
Other Crops					
Tobacco	Second	1955-56	852	+1.5	..
Potato	Second	1955-56	658	+3.9	1,643
Source: Ministry of					

Source: Ministry of Food and Agriculture.

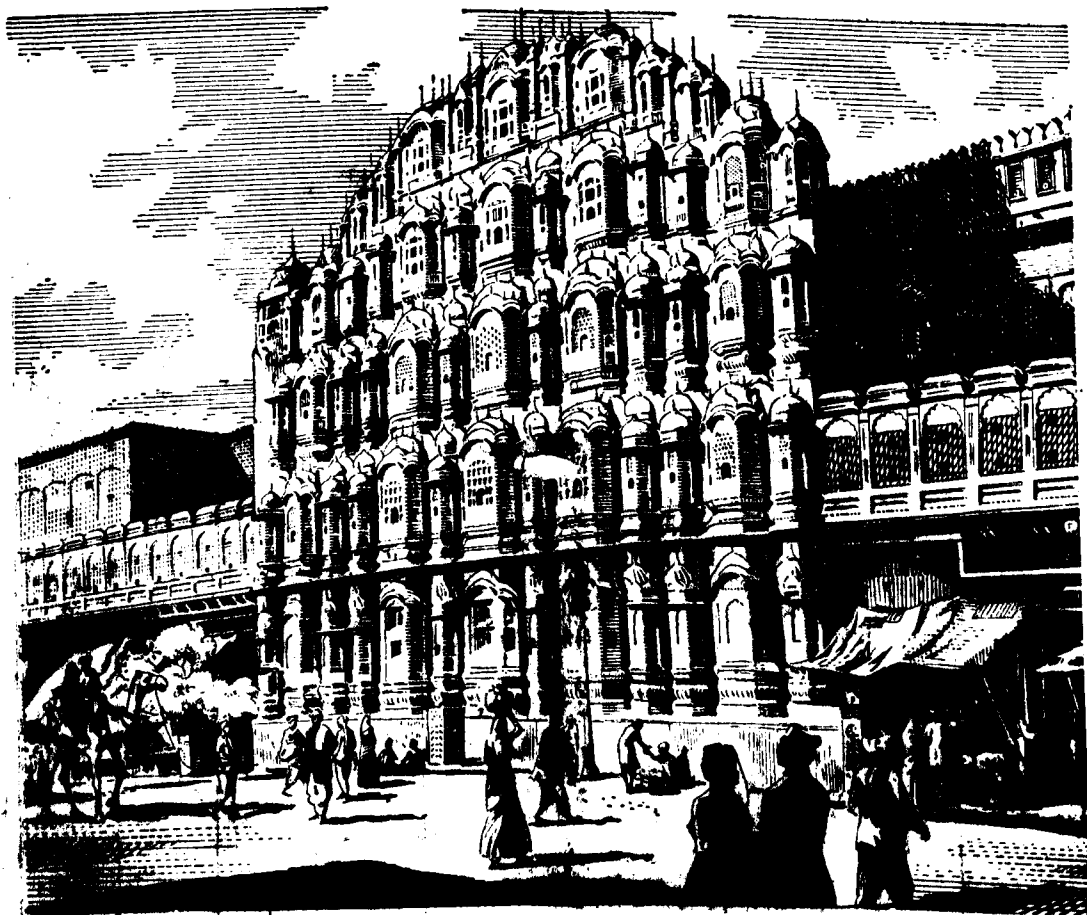
INDUSTRIAL PRODUCTION IN INDIA
(Monthly averages or calendar months)

Item	Unit	Latest Installed Capacity	1952	1953	1954	1955	1956			
							Feb.	March	April	May
Coal	'000 tons	113.1	3019	2987	3,064	3,184	3,175	3,075	2,956	3,119
Sugar	"	..	124.5	107.6	84.0	132.9	353.6	335.1	249.4	132.9
Tea	Million lbs	..	51.2	50.7	53.7	55.2	46.7	9.1	129.6	54.7
Cigarettes	Lakhs	20296	16766	15388	16,523	19,024	20,970	20,130	18,520	..
Cotton yarn	Lakh lbs	..	1906	1255	1,391	1,363	1,330	1,319	1,310	..
Cotton cloth	" yds	..	3832	4,085	4,165	4,244	4,140	4,160	4,299	..
Jute	'000 tons	..	79.3	72.4	77.3	85.6	92.8	99.3	93.9	101.7
Woollen Manufactures	" yds.	2000	..	..	1,146	1163	1,994	1,253	1,063	1,163
Plywood	" sq. ft.	11800	7545	8100	6,481	9,210	10,984	10,706	11,399	..
Paper & Paper Boards	Tons	17658	11459	11642	12,944	15,497	14,810	16,195	15,991	16,471
Sulphuric Acid	"	19875	9907	9091	12,573	13,850	14,247	14,686	11,979	..
Caustic Soda	"	4692	1422	1999	2,443	2,854	3,221	2,920	2,951	..
Soda Ash	"	7500	3694	4739	4,084	6,439	7,054	7,523	6,478	..
Chlorine Liquid	"	1735	520	678	618	965	1,317	1,022	1,151	..
Bleaching Powder	"	1229	66	162	244	225	336	378	376	..
Bichromates	"	543	122	209	270	244	259	272	217	..
Superphosphates	"	22152	3888	4025	8755	6,190	5,996	5,827	4,874	..
Ammonium Sulphate	"	39196	18359	26,635	28,352	32,759	33,754	29,433	34,316	..
Paints and Varnishes	"	5400	2681	2671	3,068	3,253	3,105	3,908	3,391	3082
Matches (cases)†	Thousand	58.8	51.6	51.5	44.1	51.3	49.3	46.2	40.0	..
Sheet glass (sq.ft.)	"	8440	753.6	1898.9	2759.4	3240.3	4327.7	1,345.6	4,028.0	..
Cement	" tons	393.3	294.8	315.0	366.5	373.9	304.4	430.5	395.0	419.3
Refractories	"	27.5	20.3	19.0	20.0	22.9	24.3	28.1	25.2	26.2
Pig-Iron	"	185.1	140.4	137.9	140.4	146.4	152.3	158.3	146.6	146.6
Steel Ingots and Metal for Castings	"	128.5	131.5	125.6	140.4	142.0	144.2	154.0	141.5	140.4
Aluminium	"	625.0	297.2	313.2	407.2	602.1	621.1	397.4	481.2	645.8
Copper	"	600.0	508.6	410.0	596.8	606.8	685.0	710.0	662.0	645.0
Lead	"	500.0	94.3	141.2	149.0	186.2	160.7	169.0	233.3	1179.1
Hurricane Lanterns	Thousand	416.9	293.6	359.4	415.6	457.3	372.5	422.6	243.6	..
Enamel-ware (pieces)	"	2500.0	640.9	790.3	1243.1	1309.7	1351.1	1352.3	1330.0	..
Diesel Engines	Nos.	1947	354	310	721	852	164	949	959	..
Sewing Machines ‡	"	3675	4170	5202	6693	8,456	10,008	10,674	10,367	..
Machine tools (value)	'000 Rs.	..	369.3	367.3	416.9	620.0	611.2	654.8	755.2	..
Dry Cells	Lakh	187.0	108.5	123.7	123.9	134.2	117.7	123.3	133.2	154.6
Storage Batteries	Thousand	24.2	13.2	14.7	15.7	19.6	26.7	27.4	27.5	29.3
Electric Motors	" H.P.	16.7	13.1	13.5	15.6	21.0	27.1	28.1	26.4	28.4
Power transformers	'000 K.V.A.	31.5	17.9	25.7	33.3	47.1	63.0	68.8	62.4	75.6
Electric lamps	Thousand	2433.3	1740.0	1647.3	1923.0	2019.5	2131.1	654.8	2410.5	..
Electric Fans	Nos.	24.8	16.3	16.6	19.9	23.5	24.3	29.3	28.5	..
Bicycles	"	52,300	16,413	22,014	31,030	49,931	43,126	46,851	51,724	54,741

† 50 gross boxes of 60 sticks each.

‡ Installed capacity calculated for a single shift working, while one of the two units has been working more than one shift.

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The Eastern Economist

VOL. XXVII. NO. 12. NEW DELHI: SEPTEMBER 21, 1956. ONE RUPEE

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China's Second Plan

ON September 16, Mr. Chou En-lai, Prime Minister of the People's Republic of China, outlined some features of China's new Five-Year Plan which is to begin in 1958. The figures quoted in press despatches which have reached Delhi this week have awakened, as is only natural, the greatest interest. While some of the figures quoted have not been set in their proper context and others have not been critically examined to indicate whether they are paper figures or related to past performances in the first Five-Year Plan, the conclusion drawn by cursory readers has been that China is racing ahead. If China's target of a 50 per cent rise in national income over 1957 is practicable, one can well be dismayed at the relatively mild targets of India's second Five-Year Plan. What is therefore to be said on Chinese performance and Chinese projects in relation to our own?

So far as the first Five-Year Plan is concerned the target for 1953-57 investment comparable to our first Five-Year Plan has been quoted at £10,000 million. Translated at the official rate of exchange, this would correspond to India's first Five-Year Plan figure of about Rs. 1,600 crores a Chinese figure of Rs. 13,000 crores or roughly Rs. 2,600 crores per year. Thus the implication is that Chinese investment in the first Plan was well over three times our own. This is an unwarranted presentation of the facts. In the first place, the figure of £10,000 million is nowhere official, and does not represent an authoritative figure even unofficially computed. As far as can be determined—and an Eastern Economist pamphlet "India and China" by Dr. Wilfred Malenbaum outlines the facts available—Chinese investment from 1952 onwards has been substantially higher than in India but not

in the relation of 3:1. Gross investment may be twice India's net investment. The emphasis is on the words "Gross" and "Net". If we assume that 'net' investment is 'gross' investment minus 20 per cent, India's investment being reckoned at a hundred might correspond in "dollars" at something between 170 and 180 for China. The reduction to "dollars" is likely to involve a bias against India which may be of the order of 10 to 20 per cent. Almost certainly the Chinese Yuan which is equivalent in official exchange terms to two Indian rupees, has a real value nearer to 1.75 Indian rupees, although it is debatable whether in relation to the pound there is substantial over-valuation. The truth seems to be that currently the Indian rupee is undervalued as against both the Chinese Yuan and the British Pound. What is stated to be Rs. 13,000 crores might, in fact, be of real value of 20 per cent less or about Rs. 10,000 crores.

Even assuming that Chinese investment in the first Five-Year Plan was between 1.5 times to twice that of India, gross or net, and that per capita investment is higher in China than in India's first Plan for China's population is very unlikely to be much more than 50 per cent above India's at this time, it might be a fair assessment to say that the per capita investment in China is between 50 and 75 per cent above that of India. How is this greater investment obtained? So far as the first Five-Year Plan is concerned the heavier investment is obtained almost certainly by drastic, even penal, taxation of Chinese agriculture by India's standards. Thus, if we take even the pre-Plan year, land and "direct" taxes in China totalled 15 to 20 per cent of the value added in Chinese agriculture. These taxes were not certainly over two per cent in India as a whole, and in many places not much over one per cent. To these must be added China's heavier levies on sales and purchases by farmers. In effect China's agriculture—her poorest sector—has sustained practically all the greater investment per capita. Indeed, if taxation of Indian agriculture was on the same basis as that of Chinese agriculture, we would be able to sustain a plan of double the size of our first Five-Year Plan with no deficit financing. This explains why the second Five-Year Plan in China can also be conceived in more spectacular terms.

Assuming that the relative importance of taxation of Chinese agriculture in relation to that of Indian agriculture is maintained over the second Plan, it is conceivable that Chinese investment might go up from Rs. 7,000 crores in the first Five-Year Plan to about Rs. 11,000 crores in the second. It is not conceivable that Chinese agriculture under the circumstances known to exist could supply, for the purposes of investment, any substantially larger sum unless the targets of the 12-year programme are achieved. The reasons have already been given in *The Eastern Economist* leading article in the issue dated September 7, that these targets have no practical basis. They are, in fact, projections of peaks achieved in single districts over great regions in the country. While Chinese agriculture is undoubtedly making substantial progress, capital formation at a rate which would amount to a doubling of the current rate of investment would be impossible, unless productivity nearly doubled at the same time. A rate of capital formation of over 15 per cent in a country like China must spell deep personal hardship; the Chinese farmer has already gone the limit; his belt is tightened to the furthestmost knot.

What, then, is to be said of Mr. Chou's statement that "it may be possible for the total national income from 1958 to 1962 to increase by 50 per cent over the total for the previous five years". To make these figures strictly comparable with the Indian figures one would require to know the income in the years 1958-62. A statistician interested in nice refinements might indicate abstruse circumstances in which what might be a "total national rise of 50 per cent over the period" might be considerably less than 50 per cent between the end years. In the circumstances likely to obtain, however, with a marginal rate of rise in income not falling by 1962, one would be justified in saying that China's plans involve a doubling of the rate of India's total economic progress. Even when China's population advances at a rate which may well be one per cent per year above our own, this would imply more than doubling the per capita rate of economic progress even with China's higher population. Assuming that we advance at the rate of about 3.5 per cent per capita per year, China would be planning to rise at the rate of something like 7.5 per cent per capita. Thus China would not merely draw level but even pass our standard of living in the next five years.

What is to be said on the other side? In the first place while our targets tend to be reflections of actual performances, Chinese targets are much more, so to speak, ceilings, and therefore much less likely to be over-fulfilled. Secondly, Chinese investment is obtained by levies, some of which may well be unstable over the long period. So, indeed, would be even her current rate of agricultural taxation. The implication for China is in any case clear; that the current rate of consumption will rise little, if at all, during the period of the second Five-Year Plan. In fact, whatever may be said in propaganda, almost the entire increment would need to be devoted to capital formation; even then the required rate of capital formation would be nearly impossible of achievement. Thirdly while China might conceivably for a matter of two or three years maintain this rate under a totalitarian regime, there will probably be, except in educational terms, a lower margin of welfare in China over the whole period than would be considered appropriate even for India's first Five-Year Plan.

Assuming that all these factors are admitted, the loss of liberty, the drastic, and even penal, agricultural taxation, the restriction on consumption to the point when investment in welfare will be nominal except in education, there still remains a residue on the Chinese side which needs emulation and scrutiny on our part. If the tax levels in China can be readily absorbed by the common man, it is for the Government of India to explain why it cannot awaken the same passionate loyalty to India's Plans that seems so rapidly aroused under the People's Republic. Can it be that the Party—with a Capital P—is the answer? We, too, have a Party. Are the Parties in the two countries more differently matched for purposes of obtaining discipline and service? On the face of it, this seems all too true. Will the Congress High Command provide it? Will the fibre and dedication of their counter parts across the Himalayas. There is urgent need for heart-searching in a truly Gandhian manner. If the salt shall lose its savour, wherewith shall it be salted?

Oil after Suez

THE Suez Canal crisis has brought to a head the problem of transporting the world's oil. The problem has been there in a soluble form although the oil needs of the Western hemisphere have been outstripping the combined carrying capacity of the oiltanker fleets and IPC TAP pipelines. Suez makes it much more difficult. Normally Europe gets Middle East oil at the rate of 1.2 million barrels a day through the Suez Canal and another 0.8 million through pipelines to the Mediterranean. America accounts for the balance of a total of 2.35 million barrels of Middle East oil going to the Western hemisphere each day. So far as Britain is concerned it is even more dependent on the Canal than Western Europe as a whole; last year about 20½ million tons, or 75 per cent of Britain's crude requirements came via Suez, mainly from Kuwait, and these supplies represented more than 85 per cent of total oil consumption inside Britain.

How are these supplies to be maintained in case Suez is blocked or avoided? All manner of ways of maintaining the facilities have been canvassed. Instead of expanding the present Canal, the building of another parallel canal catering for twice the present number of tankers of the usual size or indeed to handle the largest tankers is being considered. Another possibility might be to build a pipeline running from the Red Sea to the Mediterranean, perhaps along the route of the Suez Canal, perhaps from the Gulf of Aqaba to Israel port. And then there is the possibility of taking tankers round the Cape or across the Pacific to Europe and America. The Cape route to the US East Coast is 12,000 miles, compared with 8,400 via Suez, but to the ports of northern Europe the difference is nearly 5,000 miles. Yet it is considered that the economies of operating large tankers are such that it is already cheaper per ton of oil to send a big tanker round the Cape to the US fully loaded than a medium-sized tanker through the Canal. It seems probable that in the future more of these very big tankers of 50,000 and above might be used both on the Cape route to the US East Coast, and on the Pacific route to California. They might also be used, to some extent, on the Cape route to Europe.

As if to underline this point and give encouragement to those who fear the worst over Suez, plans have been made to cope with the economic situation in the event of the Suez Canal's being closed. According to tentative emergency plans Middle East pipeline output is to continue being shipped from Mediterranean ports, but only 750,000 barrels of oil a day will sail in tankers round the Cape. There are certain tankers that are now in "mothballs". It is estimated that the US Government has 35 such tankers in a mothball fleet that could be put into service on comparatively short notice. Thus the purchases of oil from the Middle East will be reduced by 800,000 barrels. The deficit will be made good by increasing Western hemisphere production. There is at present a 2 million barrel unutilized capacity to cover this increase. Of the increased production in Western hemisphere 350,000 barrels daily would be used to replace the oil now coming from the Middle East to the United States and Canada. The balance of 400,000 to 450,000 barrels daily, would be shipped to Europe. The financial

problems that the European nations might face in a change of some oil resources, it is pointed out, would be met by the Export-Import Bank of the United States by way of loans.

Looked at objectively the plans seem to provide palliatives but no complete solution. Suggestions that dollar oil and dollar loans would be readily available have been formally made by Washington, but such aid will need Congressional approval and Congress does not meet until the new year after the Presidential election. In short term, the British balance of payments position is likely to be hard hit, and the plans provide no answer as to how this situation can be met. So far as the Cape route is concerned, there is no doubt that the strain and difficulties will be very large because of the shortage of both merchant shipping and tankers. Although this may be a temporary shortage, it may involve a dislocation far greater than is currently assumed. In the first place there are not many shipyards in the world which are capable of building vessels of the size which is now being canvassed. In the UK, for example, it is believed that there are only four yards capable of building tankers of over 70,000 tons. Besides, there are not many dry docks large enough to repair them in and perhaps important of all is the paucity of ports in the world in which a tanker of over 45,000 tons, let alone 100,000 tons, could berth. Dealing with the possibility of building a pipeline running from the Red Sea to the Mediterranean, the greatest disadvantage would be the considerable loss of time in loading and unloading at the terminals apart from the political risk that would always be there. Then there would be the subject of transit fees.

By resort to these alternatives one may possibly get round Nasser, but how one could get round the Arabs who support Nasser may be more searching. There is no ignoring the Middle East which has two-thirds of the world's oil resources and which produces a fifth of the world's output. This is one side of the picture. It has a gloomier side for Nasser, too. How long can he run the Egyptian economy down for prestige? For six months, a year, or two years? If Britain and France do really take up the gauntlet and insist on boycotting the use of Suez, they may well succeed in doing so. Perhaps, they can still play it long enough to disillusion Egypt and the Arab countries supporting her. It is mentioned in this connection that a cut-back in the Middle East oil production that has been going to Britain and Western Europe would result in reduction of revenues of the Middle Eastern countries now sharing 50-50 in the profits of oil operations. There would also be the loss of revenues to Egypt on Canal usage.

At the moment, much seems to have been lost. But not all. The next week's events may be decisive. It is obviously in India's own interest to strive unceasingly for a settlement for she would stand to lose heavily by way of increased freight charges if the proposed Users' Association diverts shipping from the Suez Canal to the Cape of Good Hope. But India herself can be no more than a bridge. Has she firm ground on which to place her bridge? That this week will also show.

Indian Hotels: A New Look?

SLOWLY and, perhaps, imperceptibly, Indian hotels are acquiring a new look. Here, in the City of Delhi, the older hotels have put on this new look as best they could by extending their public rooms—in the French or American fashion—introducing air-conditioning and generally appearing in better dress, often, unfortunately, accompanied by a rise in their rates both for board and lodging. The newer hotels have made a straight bid at once for modernisation. More than one will be completely air-conditioned, and the spacious public rooms of the Asoka Hotel—now more than ever in the public sector—and the new Oberoi Hotel to be put up by the East India Hotels Ltd., are likely to be the most modern hotels in India. There has been some little criticism that in these cases the hotel business is being extravagantly conceived for a poor country. It is right that the purpose of the new look should be more clearly seen.

The new look in the East, as in Western Europe, is the result of a change not only in the volume, but also in the essential character, of foreign tourism. Years ago when the Cecil and Maidens were built in Old Delhi, the purpose was essentially to provide for the very well-to-do "doing" the sights of Delhi in winter with comfortable ease, using spacious suites in the manner which belonged to pre-World War II. The coming of aviation, particularly low tourist fares, has brought tourism within the reach of literally millions of people. Western Europe and Japan have felt this impact from different sides of the North American continent, but it is clearly spreading elsewhere and the new look in Indian hotels is essentially a reflection of its impact on the Indian sub-continent. At the present time the heaviest demand is for small single rooms for two or three days; the turnaround is faster and the volume is much larger. The economies of scale have become so important that the old medium-sized hotel with 100 to 200 rooms has become an anachronism in big cities. It is doubtful if a room with less than 500 rooms can survive.

With the coming of the large hotel, meaning the hotel with over 500 rooms, there will be scope for a development which has hitherto been held back literally for want of concentrated space. There is now the prospect of our making our great cities, particularly Delhi, Bombay and Calcutta great centres of conferences and conventions not only for world bodies such as UNESCO (which is to meet in Delhi in November) but also for national conferences which hitherto have got along only by dispersing their members over a hundred houses plaguing hosts and guests alike. The competent manner in which conferences in the United States are conducted in a single hotel by making available conference halls and, when required, entertainment on the spot, has still to be understood in the East. The annual conferences of groups of business associates serve as clearing houses for information on a national scale; this has been made possible by the large American hotel booked to cover an entire conference sometimes for a week or ten days at a time.

It may well be that India's hotels will develop on these promising lines, and there will be a similar trend towards national conventions. There is no reason, for example, why the members and delegates coming to Delhi for the annual meetings

of the Federation of Indian Chambers of Commerce and Industry should not all live in the same hotel, and rub shoulders with one another at meal times as well as in the conference hall, where quite often contacts must be restricted both by the need to proceed with the agenda, and by the rigid social circle in which a particular business man sits. It is essential that the habit of living together should catch on amongst the practitioners of a trade or profession. It is only then that consultation will be unfettered as it is in the great democratic countries of the world. At the present time snobbishness continues unabated to the point of reservation of seats for the senior-most at every meeting instead of only at the inaugural session. If a true democratic spirit pervaded social proceedings outside the conference hall, all this perpetual protocol would tend to disappear.

So far as foreign tourism is concerned, the bid is essentially for tourists from the United States. This is not only the lure of the dollar as a hard currency; it is because foreign tourism cannot run into many millions in any other case. The spectacular manner in which tourism is developing in the Western European countries has been described in the prospectus of the East India Hotels Limited which appears elsewhere in this issue. India's share in the American tourist traffic has increased substantially, but it is still far from adequate. It is sincerely to be hoped that the new hotels in Delhi will serve to stimulate a movement which has been slow to get under way, even after the call of luxury cruisers from the United States which have stopped at Cochin, Bombay and Calcutta. There is here room for a much more imaginative handling of the tourist who comes by the luxury cruiser as well as the tourist who comes in a chartered plane. It is time that the base of operations was extended to the point of arrival whether Cochin, Bombay, Calcutta or Madras, and organised so as to leave visitors to India with the impression that they are eagerly sought after, and not merely accepted.

The great task of "selling" Indian tourism in the United States is still to be performed. It is good that a chain of Indian hotels is now addressing itself to these problems with a kind of forward thinking, which has hitherto been conspicuous by its absence. It is sincerely to be hoped that the enterprise that has thus been shown will extend beyond Delhi and Srinagar and will lodge in new centres of beauty as, for example, along the Himalayan range where opportunities are available for winter sports of a kind which should be the equal of those in any country in the world. For this purpose a collaboration agreement with Swiss experts would be of assistance. There is probably also room for lessons on modern hotel management. Since it is American tourists who are to be wooed, it is wise that collaboration should be sought in respect of management from the United States. It is appropriate, therefore, that in the new private sector hotel contemplated in Delhi the management is negotiating an agreement with the Inter-Continental Hotel Corporation of America providing for training of Indians as managers at all levels. This venture starts under good auspices; it invites, and deserves, support.

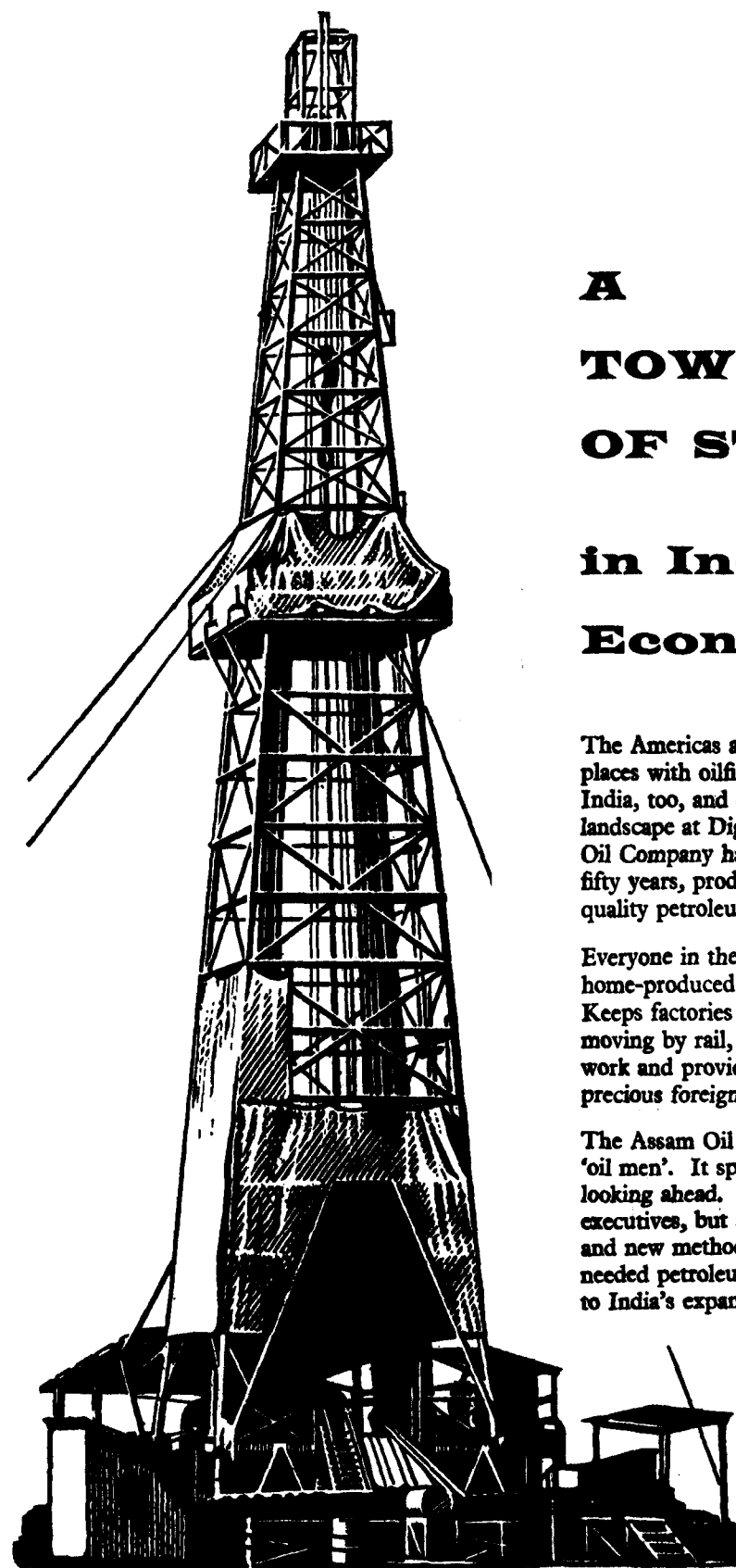
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THE WEEK'S NOTES

NEW TRENDS IN PAKISTAN

WHEN THE redoubtable Mr. H. S. Suhrawardy assumed Premiership of Pakistan some ten days back, it signified a break with some policies and practices that were being established during the past few years in that young country. The Muslim League, the creator of Pakistan, which had been vanquished in the East Pakistan elections about three years earlier, and had been greatly weakened in the Western wing by large-scale desertions, received a crushing blow. In fact ever since the unceremonious exit from Premiership of Khawja Nazimud-din, a slow but unmistakable rot was evident in the Muslim League. Pakistan was being ruled more and more by a civil service administration than by any political party or group, and none of the succeeding Premiers was seen making his bow in a democratic way or without bitterness. With the coming into power of the present Awami League-Republican Coalition at the Centre, those forces seem to have lost their strong grip, at least for the present. It is not unlikely that the administrative experience and the capacity at political finesse of Mr. Suhrawardy may be successful in releasing democratic processes in the country of which he has been a champion while in the opposition.

To say this, however, does not imply that Mr. Suhrawardy or the present Government will necessarily enjoy an easy time. The coming into being as well as the working of the Coalition has caused not a little surprise. It is known that the Awami League is in no commanding position either in its home province or at the Centre. However, the disintegration of the motley crowd of the United Front has commenced, and the East Pakistan Government may hope to get further support from the seceders like the Nizami Islam Party. Nevertheless, the Republican Party in the Central Legislature is in a far larger majority and its leader, Dr. Khan Sahib, was not always in favour of a coalition with the Awami League. What has made him suddenly accept a junior role for his party in the Central Government is anybody's guess. But it does not need much imagination to suggest that the Coalition is not the result of a communion of hearts or an identity in their respective programmes. For, frankly, the Republican Party has as yet no clear cut programme of its own. It is built down from above and, like the Awami League, is made up of the disgruntled Muslim League veterans. It is, therefore, too bold to predict at this stage how far the present Coalition can hold together.

Meanwhile, faced as it is with many serious problems, the new Government has given out some significant pointers regarding the country's future policies. The gravest problem needing immediate attention is the famine conditions in East Pakistan and the Government has expressed determination to check the worsening position. It is reported that there is likely to be a reappraisal of the foreign policy on which the previous Government could not claim to have popular support. Relations with India have always been far from satisfactory and every little matter has been played up further to deteriorate the relations. One recent example is that of the violent controversy within this country over the publication of a book alleged to contain disrespectful references to Prophet Mohammed, which has been extended beyond the frontiers. It is, however, heartening that in East Pakistan the Awami League Chief, Maulana Bhashani, has tried to cool down passions by pointing out that the book was in existence for 15 years and no objection had then been raised. It is only to be hoped that saner counsels would

prevail and that relations between the two neighbours become friendly to their mutual benefit. The statesmanlike appeal of 31 Muslim M.P.'s in India in respect of Kashmir may also help in this connection.

NETAJI BOSE

HITLER'S SUICIDE did not remain a mystery for long, and Mr. Trevor-Roper's investigations scotched all possibilities of a controversy over it. But it is a pity that no investigator and historian like him was commissioned betimes in India to establish the death or continued existence of Netaji Subhas Chandra Bose, one of the outstanding leaders thrown up by India's freedom movement. It is now confirmed beyond the shadow of a doubt that Netaji who led the Indian National Army during the last war died in an air crash in Formosa on August 18, 1945. The Shah Nawaz Committee, set up by the Government of India, has taken great pains to collect evidence in Japan and elsewhere on the circumstances of Mr. Bose's death. The Committee's report, recently presented to the Lok Sabha, should finally set at rest the controversy kept alive in the last eleven years by some members of Netaji's family and by Mr. Muthuramalinga Thevar, a Forward Bloc leader of Madras, who have all along contended that Mr. Bose is alive somewhere. The evidence bearing on Netaji's death is certainly "overwhelming".

It is strange that in the face of this overwhelming evidence Mr. Suresh Chandra Bose, elder brother of Netaji and member of the Shah Nawaz Committee, should continue to give the impression that his brother is 'alive'. Although he has declined to sign the report, he is a signatory to the agreed list of conclusions one of which is that "there has been an air crash in Taihoku in Formosa in which Netaji met his death and his body was cremated there". If, after agreeing to this conclusion, Mr. Suresh Chandra Bose now turns round and contradicts it, either he and other members of his family sincerely believe that Netaji had disappeared (as he had done more than once in his political career) or have some interest or other in establishing the myth that Netaji Bose is alive. In the circumstances, will they agree to the Committee's recommendation that the ashes of Netaji, now in Tokyo, should be brought to India and preserved in a national memorial? Prime Minister Nehru has declined to act on this suggestion without the prior approval of Netaji's family. This cautious approach is certainly necessary.

PARLIAMENT DEBATE ON APPLEBY REPORT

THE RECENT debate in both Houses of Parliament on the Appleby report on the administrative system in India has at least enabled the Prime Minister to set the problem in its proper perspective. Mr. Nehru made it clear that in considering the report, they must bear in mind that there was no question of any criticism against Parliament or any attack on the Administration. Dr. Appleby's criticism was only directed against the present parliamentary procedure and the defects and delays in the administrative procedure. Dr. Appleby's main thesis was that there must be delegation of power which alone would increase responsibility. His proposals were only meant to meet a particular emergency, namely, the implementation of the second Five-Year Plan. "The present emergency", Dr. Appleby points out, "is most acute on the front where new enterprises are in the building. As in war, the emergency dictates the establishment of procedures that have a maximum potential of acceleration consistent with the maintenance of democratic values."

In his speech in the Lok Sabha Mr. C. P. Matthen brought this view to the fore and rightly pointed out that the plan would not be fulfilled if "radical changes" were not made in the administrative system. The question is simply this. It is not one of abrogating the authority of the Auditor-General or abridging the rights of Parliament. The system of checks and balances is obviously necessary to prevent wastage of public funds and guard against executive excesses. But far more important is the fact that the thing undertaken should be achieved. As Mr. Nehru observed "one of the things which we have not got is audit of achievement. Has the thing been done or not? This primary fact can never be lost sight of in the implementation of the Plan. Delegation of power and the corresponding responsibility it entails are the prerequisites in the development of confidence and initiative below. To the extent that attention is focussed on the constructive side in the matter of audit and in the matter of control and encouragement of officers at lower levels, to that extent it will lead to quickness and efficiency. Mr. Matthen's suggestion for the constitution of a high-level committee of secretaries to work under the auspices of the Cabinet Secretariat, presided over by a Cabinet Minister, preferably the Finance Minister, to consider the report and make such recommendations as will help the implementation of the Plan quickly certainly merits consideration.

EVALUATION OF BACKWARD CLASSES' WELFARE

THE FACT that Rs. 90 crores have been allotted for the welfare of backward classes in the second Plan as against Rs. 39 crores in the first shows the awareness on the part of the Government to do its utmost to weaker sections of the community. The eradication of untouchability continues to pose a major challenge and the successful implementation of the Untouchability (Offences) Act, 1955, will depend to a large extent on persistent propaganda and persuasion. The record of the Central and State Governments as well as non-official agencies in this direction, though not impressive, is still not altogether bleak. Though the problem has lost its intensity in the urban areas, it is still virulent in the villages and it will undoubtedly tax the energies of the most enthusiastic reformer to accelerate the process of eradication.

At the same time Government attempts to tackle the question on the positive side by spending money on welfare schemes like education, housing and land grants have to be welcomed. The Report of the Commissioner for Scheduled Castes and Tribes points out that during the years 1951-52 to 1955-56, the Central and State Governments have incurred a total expenditure of Rs. 17.52 crores on the education of backward class students up to the matriculation standard. Another sum of Rs. 3.65 crores was spent by the Government of India during this period for the award of post-matric scholarships. House sites have been granted free or at nominal cost or rent to the Scheduled Castes in Andhra, Madras and many other States. Similar facilities have been provided to the Scheduled Tribes of the State Governments of Bihar, Travancore-Cochin, Coorg and Kutch. In the field of land grants, since 1951, 3,17,299 acres of land have been granted to the Scheduled Castes and 4,95,396 crores to the scheduled tribes for agricultural purposes. It is, however, doubtful how far the benefits really reach those that are in need. It is in this context that one should welcome the proposal to set up a central evaluation organisation to audit the achievements of the backward classes. The organisation is also expected to act as co-ordinator at various levels to gear up the State machinery in the field and to remove bottlenecks for fulfilling the targets set out in the Plan. The Programme Evaluation Organisation set up to measure the progress made with regard to the community projects

has proved useful, and there is no reason why a similar organisation with regard to the welfare of backward classes should not justify its existence.

INEFFICIENT DELHI BUS TRANSPORT

THE REPORT of the Public Accounts Committee on the Delhi Road Transport Authority (Bus Section) is a revealing document. Regretting that within a couple of years of its working it should have been necessary to appoint in 1952 an enquiry committee to examine the shortcomings of the bus service, the report makes these pregnant observations: "A monopoly, whether public or private, lacks the classical spur to efficiency. Without the benchmarks that are available in a competitive industry, the problem of assessing the efficiency of a monopolistic enterprise becomes difficult and as such proper direction and supervision assume paramount importance." As a mixed board of part-time members and a Chairman is not well suited for discharging this responsibility adequately, it is suggested that there should be a wholetime Chairman for the Authority. Even the Advisory Council (which is charged with the function of advising on routes, frequency of service, time tables, rates of fares, amenities for passengers, etc.), has failed in its purpose for, in the words of the Committee, "it has not contributed much in the matter of provision of better services to the travelling public".

The lack of adequate maintenance facilities with the Transport Authority has also been pointed out in the report. It is amazing that several months have to pass before minor defects in a bus are set right. In some cases the workshop takes as much as six to eight months to carry out repairs. The financial results of the authority have not been encouraging either. There was a loss of Rs. 6.2 lakhs in 1950-51 and Rs. 5.6 lakhs in 1951-52. Though there was a profit of Rs. 4.3 lakhs in 1952-53 and Rs. 3.2 lakhs in 1953-54, the Committee could not accept this as a correct reading of the situation. For, while there had been an upward trend in the traffic receipts from Rs. 61.6 lakhs in 1950-51 to Rs. 80.8 lakhs in 1953-54, expenditure had increased from Rs. 68.3 lakhs to Rs. 81.7 lakhs. But for the increase in miscellaneous receipts on account of advertisement, sale proceeds of obsolete stores, etc., there would have been no profit at all. The Delhi Transport Authority cannot congratulate itself on its financial performance, let alone its service to the public.

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A Window on the World

DO YOU WANT TO BE A LEADER?

By

ODYSSEUS

WHAT EXACTLY do we mean by "leadership"?

The immediate reaction to the world is often a confused series of mental pictures: a colonel leading his regiment in battle; memories of Mahatma Gandhi calling upon the nation to suffer with endurance; of Pandit Nehru's moving speech in the Legislative Assembly at midnight on August 14, 1947, when he announced that we were about "to keep a tryst with history"; of Winston Churchill in 1942 magnificently offering the Commonwealth "blood, toil, sweat, and tears" at the lowest ebb of the war; of a works' manager addressing an angry mob of strikers; or of a strike leader rallying men disheartened by some unforeseen development; of the courageous chairman of a company persuading timid or sincerely doubtful colleagues to launch out on a policy of calculated risk.

Certainly these are examples of leadership, but since they each have some element of the heroic in them they may seem lifted out of the reach of the ordinary humble individual who, only too well aware of his own limitations, cannot picture himself delivering great speeches or taking momentous decisions, still less heading valorous charges in battle.

Now, while it would be absurd to try to diminish the stature of great leaders by suggesting that there is nothing heroic about them and that everyone is capable of attaining their heights, it is my submission that there is a technique that anyone can learn for developing such qualities of leadership as may be lying unawakened and unsuspected within him, subject only to the limitations of his intelligence and education. The examples cited above are dramatic — the highlights of leadership — that occur at peak moments. Life, however, is not lived continuously at these levels. Most of it is routine and dull. Yet opportunities for leadership, and often enough for real heroism, present themselves all along the curve of life's graph, from the spectacular peak to the humdrum depths. The ordinary, decent citizen does not recognise the opportunities as they slip past him because he has not been taught to seek them — which is a severe reflection on our schools and colleges.

HENRY HAVELOCK'S TEN PER CENT

We can, perhaps, best grasp the technique of leadership if we begin by recalling the observation of General Sir Henry Havelock (1796-1857) who said that in any battalion there were ten per cent of bad characters who were useless and had to be carried as a dead loss, eighty per cent average men who would go anywhere and do anything if properly led, and ten per cent natural leaders. In essence, an average man is one who accepts, without questioning them, the beliefs, customs, ideas, and practices, of the group in which he finds himself. He is hale-fellow, well-met with everyone. On the other hand, to accept no common belief or practice without examining it with a critical intelligence and to seek to modify or to dispel it, if found wanting or unreasonable, is the mark of a leader.

If a leader is one who takes the lead in establishing, or working for, new ways or ideas, it follows that anyone who is not handicapped by subnormal intelligence can take the lead in any subject within his

knowledge, experience, and natural capabilities. This, alas, is easier to say than to do. It requires ideals, self-respect, and courage.

Courage, because while the average eighty per cent of mankind are ready to accept and be friendly with all who conform to established ways, they have a deep instinctive antagonism ready for any who seek to upset them. Nor are they necessarily to be blamed or sneered at for this hostile attitude. The progress of a family, a caste, a business house, an industry, a nation, and indeed of mankind, depends on the gradual accumulation through trial and error of a body of knowledge, of well-tried solutions for the problems of living. If the great mass of citizens did not hold tenaciously to established solutions until they were convincingly proved untenable, ordered community life would come to a standstill. Nobody could rely on anyone else to behave in accordance with expected patterns. Nobody could co-operate in the present or make plans for the future. There would be chaos.

THE POINT OF REBELLION

There must be an area of action in which the individual compromises with his instinct for self-assertion and yields to the practical necessity of conforming to the usages of his neighbours and of co-operating with them. At what point must compromise break down? If you are content to be a sheep and to follow the crowd blindly, there is no end to the demands that may be made upon you. You end by joining the mobs that beat up helpless minorities. Surely the key word is "self-respect." There comes, or ought to come, a point beyond which any man with self-respect refuses to conform, beyond which he rebels against discipline. In turn, self-respect depends on the ideals that parents or teachers have instilled in him. There are well authenticated accounts of soldiers who have refused to shoot prisoners of war when ordered to do so. Such men are responding to the ideals of their youth and refusing to demean themselves in their own eyes and in the eyes of their loved parents and gurus. So also are those steadfast citizens who, standing out against a mob, shelter the persecuted.

This need for compromise explains why every progressive individual, industry, or nation, must live in a certain degree of internal contradiction and conflict — between established attitudes and new ideas seeking to undermine them, between loyal co-operation with, and vigorous rejection of, the ways of others. Where the conflict is least, where established doctrines and habits prevail, the organism becomes static and fades away, as witness the fate of many a business conducted on old-fashioned lines, or a primitive tribe relegated to remote regions by more imaginative and adaptable people.

Where the conflict is excessive, where there seem to be too few, or no, established and accepted values, the average man may become confused and have no strong ideals to act as compass bearings for the course of his life and conduct. The absence of stable ideas is just as potentially disintegrating as the absence of new ideas. Where all ideas are in flux, co-operation between organisms becomes impossible. Where all

ideas are changeless, rival bodies will surge ahead. In either case catastrophe threatens.

The task, then, of he who would be a leader is to battle temperately for his ideas, hopeful that in the long run the truth will prevail, and confident that even if his views are mistaken, the very efforts of his opponents to disprove them will serve to clarify the common stock of knowledge and contribute to progress.

The percipient reader will not fail to observe that it is easier for true leadership, as defined here, to emerge in a democracy than in a communist or other totalitarian state, because democracy is government by the clash of ideas and the cut and thrust of debate, public and private, which implies the cultivation of tolerance, whereas in a dictatorship, whether of a man or of a party, the whole weight of the state is mobilised on the side of established doctrine.

If this is an admitted long-term weakness, it must be conceded that in the shorter run a dictatorship benefits from the acceptance of official views and wishes which gives it a superficial cohesion and makes it easier to manage. On the other hand, the "occupational weakness" of democracy is the tendency to carry debate and party animosities to such lengths that solidarity is being undermined and the flux of opinion so great that men know not whom to believe and whom to follow. Classical Greece is the classical example of a democracy which contained probably more geniuses to the square mile than the world has ever seen before or since, but the explosive force of the ensuing debate rendered the Greeks incapable of co-operation, so that politically their flowering was as brief as it was intellectually glorious. Since the Revolution of 1789 France seems to have hastened at an increasing pace after the

example of the ancient Greeks in richness of intellectual gifts and poverty of social co-operation. What of India?

The ferment of political intrigue witnessed in so many state governments since independence and the outburst of antagonisms based on regional differences suggests that we need to extend our discussion of the problems of discipline to cover the field of national indiscipline.

These observations may at first sight seem irrelevant to the discussion of leadership on which we were embarked. Reflection, however, may bring out their relevance. Social cohesion, laced with sufficient new ideas to enable the state to change and grow, to be dynamic and progressive, must largely, though not exclusively, be the result of good leadership. If Havelock's ten per cent are either deficient in ideas or fail to emerge at all, the eighty per cent will be leaderless, without purpose, subject to contradictory aims and influences. On the other hand, if the eighty per cent have been indifferently or insufficiently educated or trained in social purposes, they will be more difficult to lead. The best leaders in the world must fail if their raw material — the masses — are incapable of adequate response. And thus we are brought to the topical subject of national discipline and indiscipline, at which we shall glance next week.

(This is the fourth in a series of six articles on the problems of discipline. Previous articles were: "The Case of Sergeant Mc Keon" (Aug. 31), "Discipline: Good and Bad" (Sept. 7), "Fear and Punishment" (Sept. 14). Although each article is complete in itself, the links in the argument will emerge more clearly if each is saved for a collected reading on the appearance of the final article.—Ed.).

HOW TO BORROW MONEY

(From Our Special West European Correspondent)

PARIS, September 15.

FINANCE Ministers the world over might hope never to see their national accounts fall into the sorry condition of France's: a vast network of unwarranted subsidies and unpaid taxes. But they might still study closely French new ideas to keep the economy expanding vigorously. In earlier despatches, notable examples of this fiscal ingenuity have been described: "New Ideas in Public Finance" (this page June 8) and "France on the Tightrope" (July 6). Now the Socialist Finance Minister, R. Ramadier, has come up with an original formula for borrowing money, a formula that enables the State to gather in large sums of fresh money, that guarantees the lender against losses of capital by inflation and that makes the lender to the "public sector" a shareholder in the whole of the "private sector". This is the 1956 National Loan, which is now open for subscription. It offers a fixed rate of interest but links the redemption price of the loan to the average of all the stocks and shares quoted on the Paris Stock Exchange.

The modalities of the loan are the following. It is a £150 million issue offered in bonds varying from £5 to £1000, with a maximum life of 15 years and bearing interest at 5 per cent. Interest payments for the first five years are exempt from the surcharge on individual income-tax, and capital gains made when the lender cashes his bonds are exempt from tax throughout the life of the loan. The possibility, in fact the certainty, of capital gains arises in this way: the redemption value of the bonds will rise in proportion with the index of stock and share prices, but this redemption price can never fall below par even if stock and share prices slump. The year 1955 is taken as the base year for stocks and shares. If by 1960 stocks and shares have risen 20 per cent above 1955, the holder of these new bonds will get back his capital plus 20 per cent. The loan will begin to be redeemed from 1957, in annual slices determined by the drawing of certain bond numbers.

This is in fact a new variety of "indexed" loan, but whereas the loan floated in June had the rate of interest "indexed" on the national production index number, in this case it is the capital that is indexed. The method of indexing is interesting. There are two index numbers for the Paris Stock Exchange: one for variable yield securities (shares) and one for fixed interest securities (loans and debentures). The arithmetical average of these two is taken to determine by how much the capital of the new loan will be increased. An example will make this clear: supposing a subscriber buys a bond for £100 and his bond is included in the draw for 1961 and is redeemed in that year. Then, if by 1961 the index number for shares has risen by 40 per cent and the index number for loans and debentures has risen by 10 per cent, the average of these rises being 25 per cent, he will be repaid £100 plus £25.

Now there are several obvious objections to this unorthodox method of public borrowing, objections which will be referred to below. It is a type of loan that is suitable only to special circumstances, and in so far as these circumstances do not now exist in India, it will have no application there. But such circumstance could easily arise during the second Five-Year Plan, especially toward its end and especially if domestic and foreign lending falls below expectations and

if the inflationary danger becomes marked. Opinions about these possibilities in India differ, and can only be tested by the course of events. But the domestic loan target in the Plan is admitted to be extremely high, while the hope of substantial lending from abroad has been dealt a severe blow by Colonel Nasser. As for inflation, it is a constant danger in any rapidly expanding economy, particularly under a regime of ambitious planning. So the capital-indexed loan may have some use in the near future.

Its advantages in the inflationary conditions of rapid expansion are several. By offering extremely attractive conditions it can bring in larger amounts of fresh money than could be obtained by less imaginative techniques, and thus helps to limit the inflationary push on prices. (The academic world here is just now divided by a controversy about how disinflationary public borrowing really is, but the weight of opinion is definitely in favour of the traditional view that Government loans are disinflationary for prices in general.) Further, it guarantees the lender against capital loss due to inflation, because inflation pushes up share prices, to which the lender's capital is indexed. Inflation has for two generations been the great enemy of the public credit and we all know how much the cautious small saver has suffered from declines in the value of money, against which the new technique is designed to protect him.

But this loan is not merely defensive, it does not assume that inflation is automatic and inevitable. That was true of the Pinay gold-indexed loan which guaranteed the buyer of a bond of a certain value that he would be repaid the equivalent of 25 times the value of a golden louis; such a loan does nothing more than offer a security against inflation. But the present Ramadier loan offers the lender the prospect of a capital gain even if no inflation takes place, if economic expansion continues at stable prices. It is not only inflation that raises the price of stocks and shares, but business expansion in general which can occur without a rise in the price level. Five, ten or fifteen years from now the franc may have lost none of its value (as it has lost but little over the last three years during the remarkable boom in the French economy), but as expansion continues stock market prices will rise and the subscriber to this loan will see his capital increase in proportion. So the 1956 National Loan combines the virtues of the pessimistic Pinay loan, which merely provided a hedge against an inevitable inflation, and of the earlier Ramadier loan, which fixed the interest rate to the rising national output level. It is neither purely defensive nor totally optimistic: it is designed for a situation where expansion is expected to continue but where there is an undeniable danger of inflation—which happens to be an accurate description of the Indian economic prospect in the second Five-Year Plan.

Finally, this type of loan has a great psychological value in a society where the public and private sectors are sharply divided by outdated ideologies. Where the State is hostile to private enterprise and where business men are hostile to State enterprise, an important fact is often lost to view: namely, that both sectors ultimately depend on the same factors of economic expansion and so the share holders of both sectors in fact have common interests. There are societies where men are divided into two opposed classes, the "malthusians" and the "speculators". The malthusians are the rentiers, the holders of safe

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securities and most civil servants; they do not care a fig for economic progress and only want to see the value of money defended, by stagnant conservatism and the avoidance of all risks. The speculators are the risk-takers, the enterprisers and gamblers and some trade unions; they welcome inflation even if it damages other sections of the community, because their gains come from quick economic progress. This is a schematic picture, but it should be as familiar to Indians as to Frenchmen. Now the Ramadier type of loan, whether the interest rate is geared to national output or whether the capital value of bonds is geared to all stock market prices, shows these two classes that they are really in the same boat. The latest loan, M. Ramadier has said, makes every public lender a shareholder in all industry; it is as though he had joined a holding company that combined public security with private inventiveness. Such "psychological" factors in economics are open to varying valuations, but many people may agree with me that in societies that are evolving from age-old conservatism to modern dynamism they are very important.

Now for the objections to this method of borrowing. Plainly, it is expensive. It places a heavy addition on the public debt, and the servicing of that debt (especially where, as in this case, "servicing" includes not just interest payments but capital gains) may be a great burden on a generation whose resources are naturally unknown to us. This objection is a grave one for the present French Government, because the loan is to be used to finance the war in Algeria. It would be less serious in a peacefully expanding economy, where it was fairly certain that the coming generation would have, thanks to our present efforts, increased resources with which to redeem the public debt. And notice that the Ramadier loans are freer of this objection than any other, because they only increase the public debt to unusually large proportions if national output rises and share prices increase. Obviously, if those things happen State revenues will have increased too, and the debt servicing will to that extent be a lighter burden. Share prices only rise as dividends increase, and dividends only increase as tax payments rise, so the State is assured of having the funds to meet its charges on the debt.

Next there is the objection that offering such attractive terms to public lenders will limit the flow of savings into private industry. Apart from the fact that public and private borrowing will always to some extent tap different fields (there are investors who will always buy State securities and will never put money into shares), there is the point that the Ramadier loan is only especially attractive in so far as people believe business is going to do better, and private industry cannot complain of a situation where large numbers of people have a faith in rising share prices. But more important is the fact that in France today borrowing in the stock market is an unimportant source of industrial finance, most of which comes from auto-financing, that is, from ploughed back profits. The big investments of the post-war years are now paying off and industry has its own funds for further expansion. The trend toward auto-financing is world-wide, and will be especially notable in India later in this Five-Year Plan when current and recent investments are paying off.

Another objection comes from other parts of the public sector: such attractive terms will make it necessary for later loan issues from the State and semi-public institutions to be more and more expensive. This is true, as it is true of any loan that admits the fact that money is getting dearer. But as long as the terms offered are not unnecessarily lavish, they constitute merely an avowal of an actual trend, and when

money gets dearer, lenders inevitably have to pay more for it.

One final objection might occur to suspicious minds. This type of loan gives the Government an interest to see that share prices do not rise, so that its debt servicing does not become too expensive. Thus an unscrupulous Government could take advantage of a business expansion to tax profits away, thus limiting share price rises and thus in turn limiting the capital appreciation on its own loans. There is no answer to this except that it is highly unlikely that the State would ever damage its own credit by such machiavellian shifts.

In listing the objections to a capital-indexed loan I have offered replies to each criticism, but I should emphasise in conclusion that such replies do not dispose of the genuine objections to this method of finance. It remains an exceptional technique of borrowing and should only be used where all the objections to it are outweighed by the clear and present danger of inflation due to economic expansion. Such dangers not uncommonly arise, and not only in France, so the newest weapon in M. Ramadier's armoury could have uses in other times and other places.

No financial journalist could conclude a despatch on this subject without mentioning the pleasure it gives to be able to report imaginative thought about saving emerging from the camp of the Socialists. Socialism and saving have too long been contraries for us to miss the spectacle of a Socialist Finance Minister bringing more daring and ingenuity to the encouragement of investment than the Right has done in many years.

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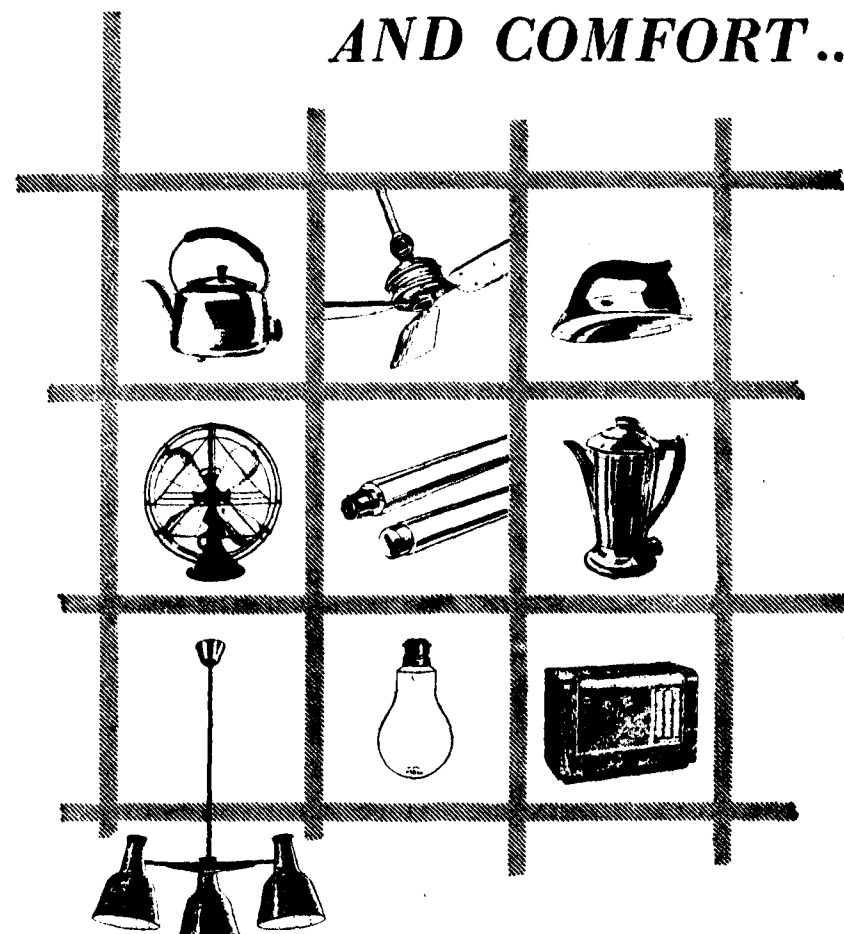
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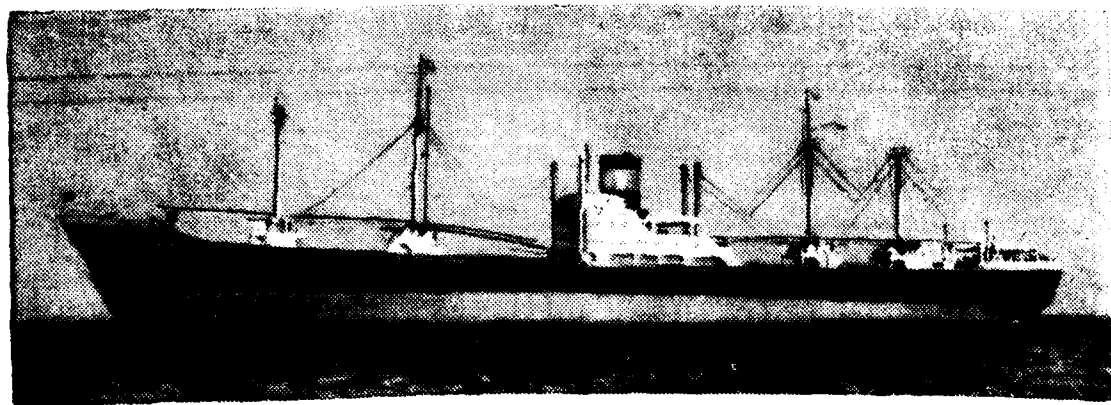
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WORLDGRAM

AGRICULTURE

Milk Powder Factories: A proposal to set up seven milk powder factories in different parts of the country under the second Five-Year Plan is being considered by the Government of India. Of the seven factories, two each might be set up in Andhra and Uttar Pradesh and one factory each in Bihar, the Punjab and Pepsu. The exact sites for the location of the factories has not yet been selected. The total capital outlay is estimated at Rs. 1.4 crores.

Import of Food Grains: India will have imported 18,00,000 tons of foodgrains from abroad by the end of this year. Out of 18,00,000 tons of food grains, wheat will account for 13,40,000 tons and rice for 4,60,000 tons. Wheat is being imported from Australia, USA and USSR and rice from Burma, China and USA. The total cost of the imports is estimated at 75.25 crores.

INDUSTRY

Multi-Purpose Lignite Project: The Government of India have decided to implement the multi-purpose Neyveli Lignite Project, in the South Arcot District of Madras State, following the successful conclusion of the preliminary investigations regarding the controlling of the underground water pressure and the feasibility of the project. The project which has been accorded a high priority in the second Five-Year Plan, in view of the paucity of coal deposits in South India, envisages the mining of 3.5 million tons of lignite per year to be used for (a) generation of power in a station of 211,000 kw. capacity. (b) production of approximately 330,000 tons carbonised briquettes per annum (this will be utilised as industrial and domestic fuel). (c) production of fertilisers in the form of urea and/or sulphate-nitrate of a fixed nitrogen content of 70,000 tons per annum.

The project is estimated to cost about Rs. 68 crores. A provision of Rs. 52 crores has already been made for the project in the second Five-Year Plan but additional resources may be provided in the light of the actual requirements and the progress achieved in implementing the projects.

Standard of Electronic Components: The Indian Standards Institution has published two more standards (IS: 824 & 825-1956) relating to electronic components. One of these, namely IS: 824-1956 covers a standard series of preferred values for capacitors and resistors used in electronic and communication equipment. Three series of preferred values with their associated tolerances have been given for wire-wound as well as fixed composition resistors and for capacitors up to the value of 1,00,000 picofarads. The other standard, IS: 825-1956, lays down the colour code for identification of values and tolerances on values of fixed resistors used in radio and electronic equipment. Only the band system has been recognized for the standard colour code and the colours of the different bands are required to comply with the relevant shades given in IS: 5-1955 colours for ready mixed paints. Both standards are in conformity with the international practice as recognised in the published recommendations of the International Electrotechnical Commission (IEC).

Chittaranjan Touches new Production Peak: The Chittaranjan Locomotive Works, which recently turned out the 400th locomotive, touched a new production peak by completing 14 locomotives during August, 1956. The output at Chittaranjan has increased rapidly from

six locomotives per month in the early part of 1954 to ten per month from January to June 1955. Thereafter, production was increased to 11 locomotives per month, and subsequently to 12 per month.

Draft Standards for Bicycle Components: The Indian Standards Institution has issued for eliciting comments draft Indian standard specifications for steering head assembly, cranks and chain wheels, bottom bracket assembly and rim tapes and buckles for bicycles. The importance of interchangeability durability and the ability to withstand the rigours of the climate are the features generally well known to the users and these factors have been taken into account in preparing these draft standards. The drafts also cover dimensional and material requirements. Comments on these draft standards may be sent to the Indian Standards Institution 19, University Road, Delhi-8, before November 20, 1956.

TRADE

Indo-Soviet Trade: Due to growing economic co-operation Indo-Russian trade expanded during the quarter ended June, 1956. Total trade between the two countries during the quarter under review was valued at Rs. 55,400,000 against net Rs. 12,600,000 in the corresponding period of last year. While imports from Russia were valued at Rs. 33,900,000 exports to that country were worth Rs. 21,500,000 during the quarter under review.

India's Trade Through Suez Canal: Of the total Indian imports in 1955-56 valued at Rs. 650 crores (CIF), imports which passed through the Suez Canal are estimated to be worth Rs. 462 crores. Of the total exports during the same year valued at Rs. 591 crores (FOB), the exports which passed through the canal are estimated at Rs. 393 crores. So far as the total ocean freight paid on Indian trade passing through the canal, is concerned the exact figures are not available, but it was estimated that Indian imports through Suez included on an estimate, freight charges amounting to Rs. 36.9 to Rs. 39 crores. On Indian exports through the canal the freight bill was estimated at Rs. 31.4 to Rs. 33.4 crores.

FINANCE

State Development Loans: Fifteen State Government loans opened for subscription on September 3, 1956, for an aggregate notified amount of Rs. 64 crores. The total subscriptions, which amounted to Rs. 74 crores approximately, are as under:

Government	Notified Amount	Totals Subscriptions Received (Approx.)
Andhra	Rs. 600 lakhs	Rs. 752 lakhs
Bihar	200 "	212 "
Bombay	750 "	806 "
Hyderabad	200 "	213 "
Madhya Bharat	100 "	139 "
Madhya Pradesh	150 "	158 "
Madras	1250 "	1681 "
Mysore	400 "	410 "
Orissa	300 "	303 "
Punjab	200 "	211 "
Rajasthan	300 "	310 "
Saurashtra	250 "	365 "
Travancore-Cochin	200 "	224 "
Uttar Pradesh	800 "	910 "
West Bengal	700 "	712 "

Conversion applications for the Bombay, Madhya Pradesh, Madras, and Travancore-Cochin loans amounted to Rs. 217 lakhs, approximately. All the State Government loans, except that of Orissa, were closed before September 10, 1956, on being oversubscribed, or duly subscribed before that date. The Orissa Government loan closed at the close of business on September 10, 1956. Partial allotment to subscribers in cash over Rs. 10,000 only was made in the case of Andhra, Madhya Bharat, Madras, Saurashtra, and Uttar Pradesh Government loans as shown below:

Government	Partial Allotment Per Cent
Andhra	85
Madhya Bharat	80
Madras	77
Saurashtra	75
Uttar Pradesh	96

Foreign Exchange Reserves: At the end of India's first Five-Year Plan period, India's net foreign exchange reserves were Rs. 761.74 crores, and it was anticipated that they would be further reduced by Rs. 200 crores during the second Plan period, said Shri T. T. Krishnamachari, Union Finance Minister, in reply to a question by Shri Tulsidas in Lok Sabha recently. Asked about the extent the reserves had been reduced during the first four months of the second Plan, the Finance Minister replied that the figures were available only for the first two months (April and May, 1956) of the second Plan period, and during those months the reserves fell by Rs. 26.06 crores. He added, the figures of foreign exchange reserves for subsequent months were not available but sterling balances, which constituted the major part of those reserves, fell by Rs. 53.71 crores during the two months, June and July, 1956. During the first Plan period, the net fall in the foreign exchange reserves of India was Rs. 73.12 crores.

GENERAL

Employees' Provident Fund: The accumulations in the Employees' Provident Fund till June 1956 amounted to Rs. 23.6 crores. The employers and the employees' share in the accumulations was Rs. 11.8 crores each. The Government of India, charged 3 per cent of the total employers' and employees' contributions to meet the normal administrative expenses of the fund. Provision was made for such a deduction in paragraph 29 of the Employees' Provident Funds Scheme. The Employees' Provident Fund Act which came into force from November 1952 covers over 20.54 lakhs workers all over India. The employers under the Act are charged at the rate of one anna in a rupee of the basic wages and the dearness allowances payable to the employees. The employees' share is equal to the contribution of the employer.

Industrial and Agricultural Wages: Figures of annual average earnings of workers in perennial factories during recent years indicated that the purchasing power of the earnings of workers had been steadily increasing and was 30 per cent higher in 1954 over that in 1947. As regards agricultural labour, the consumer price index numbers (formerly known as cost of living index numbers) are not yet available so as to arrive at the figures of real wages. It has recently been decided to construct and maintain consumer index numbers based on the "Weights" provided by the 1950-

51 Agricultural Labour Enquiry and the current retail prices of selected commodities.

Extension of Employees' Provident Funds Act: The Government of India have decided to extend the Employees' Provident Funds Act, 1952 to cover another 54,000 workers in about 200 factories, from September 30, 1956.

The four more industries to be covered are:

1. Heavy and fine chemicals, including:
 - i) Fertilizers
 - ii) Turpentine
 - iii) Rosin
 - iv) Medical and pharmaceutical preparations
 - v) Toilet preparations
 - vi) Soaps
 - vii) Inks
 - viii) Intermediates, dyes colour lakes and toners; and
 - ix) Fatty acids.
2. Indigo
3. Lac including shellac
4. Non-edible vegetable and animal oil and fats.

The Act, which came into force on November 1, 1952, covers over 20 lakh workers employed in 3,600 factories all over the country.

Industrial Disputes and Relations in India: The industrial relations in India improved during June 1956 as compared with the previous month according to the Labour Bureau, Government of India. The time loss during the month was 4,43,577 man-days as against 5,57,690 during May, 1956. Fresh cases of industrial disputes occurred during June were 70 and involved 45,446 workers. The corresponding figures for the previous month were 99 disputes involving 44,302 workers. The number of disputes current at any time during the month was 100. Of these, 98 involved 63,179 workers. In the previous month the number of disputes current at any time during the month was 133, the number of workers involved 63,884.

Library Development in Second Plan: Each district in the country is to have a District Library with its circulating library services by the end of the second Five-Year Plan, according to details now available of the Government of India's programme for the expansion and improvement of its Integrated Library Service Scheme. Of the 320 and odd districts in the country today, district libraries have already been established or are in the process of being established in about 100. The Integrated Library Scheme envisages the development of a network of libraries in each State or linguistic region with the Central State Library at the apex of the system and the district libraries as the main distributory libraries. The district libraries are expected to maintain a circulating book service to feed the village libraries in their respective areas. In bigger and multi-lingual States, regional libraries have been provided under this scheme to ensure greater efficiency. Ultimately, a National Central Library is proposed to be established at the top of the entire system.

NEWS IN BRIEF

INDIAN

About Rs. 10 crores worth of foreign currency was exchanged in India by the foreign tourists during the year 1955-56.

The second two-unit thermal power plant of the D.V.C. at Durgapur will be ready by July 1959. Built at a cost of Rs. 10 crores it would generate one and a half lakh kW. of power.

A spinning plant first major industrial unit of the area is being set up at Naini, Allahabad shortly. It will be equipped with up-to-date machines having 25,000 cotton and silk spindles each and will provide employment to about 2,000 workers.

The production and dispatches of indigenous sugar from sugar factories in the country amounted to 18.56 and 14.45 lakh tons up to August 31, 1956 in the current season as against 15.85 and 9.73 lakh tons respectively in the corresponding period of the last year.

It has been decided by the Government of India to extend up to end of September 1955 the period of shipment of quotas of onions which was originally valid up to the end of August, 1956.

The first consignment of Indian raw wool has been exported to the USSR under the terms of the Indo-Soviet Agreement of 1953.

It is reported that minor irrigation schemes costing 180.29 lakhs had been included in the second Five-Year Plan for Andhra.

Provisional approval has been accorded for a passenger-cum-vehicular ferry project in Assam by the Ganga Brahmaputra Water Transport Board.

The Indian Railways purchased Rs. 76.86 lakhs worth of khadi during 1955-56, compared with Rs. 10.13 lakhs in the previous year.

The Government of India have so far sanctioned Rs. 24.57 lakhs as grants in the shape of equipment etc. to 13 States for filaria control.

Production of bicycle tyres in India rose from 5,226,005 in 1954 to 5,748,100 in 1955.

The All-India Handicrafts Board has set up a pilot centre at Surat for the revival of the brocade industry. Expenditure incurred on the scheme up to the end of July, 1956, was over Rs. 40,000.

A provision of Rs. 90 crores has been made in the second Five-Year Plan for the amelioration of the backward classes as against an allotment of Rs. 39 crores in the first Plan.

FOREIGN

It is reported from Ipoh that a company to be known as the Nanyang Cement Company is to be formed for the manufacture of cement. The company has already acquired a 25-acre site for its works, and hopes to turn out 7,000 bags of cement daily.

Communist China's imports from Hong Kong rose by 100 per cent to a value of HK\$14 million in July and are expected to increase still further.

The first of Britain's new synthetic rubber plants has started its experimental runs and will be in full production by the end of the year.

The United States offered Pakistan an additional Rs. 11.424 million worth of essential agricultural commodities bringing the total purchase by the Government of Pakistan this year to Rs. 232.24 million.

It is reported assets of the Central Bank of Rhodesia and Nyasaland have risen from £21.5 million to £25.8 million in the first five months of its existence.

Six European countries have set up a "study association" for the creation of Europe's first joint plant for enriched uranium.

For the first eight months of the present year, the New Zealand's imports have totalled £10.6 million less than for the same period in 1955.

It is reported that Canada faces the prospect of an unprecedented \$900 million foreign trade deficit in the current year.

There was a jump of 6.5 per cent in Malayan tin exports last month compared with July. The actual tonnage was 6,227 tons, the fourth highest monthly total this year.

The US Export-Import Bank has announced the extension of two credits totalling \$27.8 million (£9.93 million) to modernise and expand nitrate production in Chile.

Italy will sign an agreement with the World Bank under which the latter will grant former a loan of \$70 million. The Bank has already granted loans for developing Southern Italy amounting to \$90 million. The proposed loan will be utilised mainly for the realisation of large industrial development projects, including the construction of a Fiat Motor Company assembly plant near Naples.

The Thailand Government has appointed a Committee to seek a revision of the agreement with the Shell-Vacuum Oil Companies which would, in effect, end the fuel trade monopoly now enjoyed by the two enterprises in Thailand.

At the request of the Portuguese Government, South Africa has agreed to make available 4,000 tons of coal at the Portuguese East African Port of Lourenco Marques during the second half of October for shipment to Goa for its railways.

Special Articles

AN INDIAN LOOKS AT AMERICAN EDUCATION

II—Secondary Education

By HUMAYUN KABIR

IN the last article, I briefly reviewed the various institutions and forces which together shape American educational policy. With so many different forces acting on one another it is inevitable that the final outcome should largely be a compromise which does not fully satisfy any of the participants. Nowhere is this so evident as with secondary education in America.

If one talks to authorities in the Universities, they tend to blame an unsatisfactory secondary system for almost all the defects in American education. Social philosophers and the general public are also often vehement in their criticism of its defects. Perhaps the strongest defenders of secondary education in America are to be found among State and City Superintendents, the Teacher Training Colleges and the authorities and teachers of secondary schools. Their support is somewhat suspect. Many people feel that in defending the system they are in fact defending themselves. Yet, there is a great deal to be said in defence of American secondary education. Its supporters are never tired of pointing out that whatever may be its other shortcomings, it has been the single greatest instrument in forging an American nation out of diverse elements who have poured into the country in the last hundred years.

An unprejudiced observer would certainly give great credit to the American secondary system for its contribution in developing an American nation. In pursuit of this end, secondary education in America has gradually developed a range and diversity which is found hardly anywhere else in the world. Courses have been split into their component units so that every child can find something fitted to its capacity. Freedom from tradition has also enabled the American educators to experiment with new forms. The recognition that different children have different aptitudes and profit by different types of courses is one great American contribution to educational practice of the world. In theory, all countries accept this truth, but it is only in modern America that it has been made a principle of educational organisation.

There has, however, been a tendency to carry the principle too far. Subjects have been included in the curriculum which have little if any educational significance. Children are permitted and at times encouraged to select subjects where there will be almost a guarantee against failure. Free option for children often means in practice the pursuit of a variegated and unrelated number of different courses which qualify them for graduation from school but do little either to give them a unified body of knowledge or develop habits of systematic and sustained thought. In addition, there is at times an extravagant emphasis on what are called extra curricular activities which are supposed to develop the personality of the pupil. In the name of serving the individual needs of individual children, a pattern has thus been evolved in which it is possible for an adolescent to go through high school without learning some of the basic values of human knowledge and culture.

Another unfortunate result of this emphasis on individual ability and aptitude has been the tendency

to relax standards. These are quite often determined with reference to the capacity of the least able among the pupils. A misunderstanding of what democracy entails has further strengthened this tendency. Democracy certainly demands equality of opportunity for all but somehow many in America have misinterpreted this to mean equality of performance. Naturally, such equality can be achieved only by lowering standards.

The emphasis on diversity and the wrong interpretation of democracy have together led to a considerable lowering of standards in secondary education. I have been told that by and large American boys and girls of 17 or 18 are not expected to know as much as their compeers in Europe or even in Canada. There is no reason to think that American youth are in any way less intelligent or earnest than the youth in Europe or Canada. The difference in attainment must therefore be attributed to the difference in demand made on their energy and attention. Some American educationists seek to defend the fall in standards by referring to the increase in enrolment. They point out that in other countries to this day and even in America in the past secondary education was reserved for a privileged group of only 15 to 20 per cent of the adolescents, who were drawn mainly from well-to-do families. As against such conditions, America today seeks to provide secondary education on a universal scale. Their argument seems to be that when in place of a small group of selected pupils drawn from the privileged classes, all children from all sections of the people begin to attend secondary school, the standards are bound to fall.

I have not been able to see the validity of this contention. I have argued with American friends that their position rests on a confusion between quality of mind and class. If it were the case that in the past only the ablest among the adolescents went to school while today everybody does so, there would have been some force in their argument. This would presuppose that selection for secondary schools was then made on the basis of merit alone and without any reference to social origin. This was not however the case. What actually happened then was that practically all adolescents from certain privileged groups and classes engaged in studies. Only a small minority came from the rest of the community. Today, the pupils in secondary schools are drawn from all sections of the people. The increase in secondary school population is thus due to the fact that all classes in the country are now contributing their quota in more or less the same proportion.

A fall in the standard of education from such increase in enrolment would follow only if it could be proved that the proportion of able children is larger in the privileged classes. There is however no proof for this. On the contrary, all available evidence seems to indicate that ability is distributed more or less evenly in all sections of the community. It may also be pointed out that to hold that the privileged classes are intrinsically superior in ability would challenge the basic assumption of American or indeed of any democracy. Increase in enrolment cannot therefore be the cause of the fall in standards of secondary education.



The main reason for this fall is the reluctance to make adolescents work. Discipline of children is regarded as an essential part of education in Europe. In America, the attitude to children and adolescents is on the whole much softer. This is also evident from the prevailing social attitude that no adolescent should face failure or discouragement during school life. Critics of such an attitude ridicule it by calling it "the theory of social promotion". They point out that hardly any pupil in a secondary school is allowed to fail. He may not be able to satisfy the teachers in any subject but nevertheless he is promoted so that neither he nor his parents may suffer from frustration or loss of prestige.

It is certainly good to encourage adolescents but when the result is to fix standards in such a way that nobody fails, it may and at times does lead to a caricature of education. If certain assignments seem too difficult for a child, there are two ways of dealing with the situation. One is to require a greater effort from the child with such assistance as the teacher may reasonably give. The other is to cut down the assignment till it comes within the easy reach of the child. The two solutions are not of course incompatible. What usually happens is to combine the two in varying proportions. In most countries the emphasis is on first while in America the tendency is to favour the second device.

The American approach seems less satisfactory for more reasons than one. All education should require a certain degree of effort and striving. In Browning's words, "What is a man worth unless his reach exceeds his grasp?" Also, we are liable to under-estimate the capacity of children and adolescents. When they are given a task which challenges them, they can and do rise to great heights. Still more serious are the effects of relaxation of standards on a growing child. Adult life will be full of struggle and it is part of education to learn to cope with and overcome difficulties. To learn to bear success and disappointment with an even temper is the best training an adolescent can receive.

With the onset of adolescence, the child discovers new interests and tastes. It also feels a new influx of physical and emotional energy. If this energy is not fully utilised in useful and creative channels, it is bound to find undesirable outlets. An empty mind is the devil's workshop, but, if possible, it is even more so in the case of adolescents. Secondary education covers the

whole period of adolescence. If standards of education are sufficiently stiff, it means not only a higher degree of attainment for adolescents but also the use of their abundant energy in useful work and play. No surplus is thus left for juvenile excess or lapse. That higher standards can be attained is proved by the experience of Europe and Canada. If the demand is made of American youth, they can attain the same standards as their fellows in other countries and in demanding this effort, some difficult problems of indiscipline and delinquency may be automatically solved.

American practice regarding the training and certification of teachers has also been regarded as an important factor for deterioration in standards. The professional courses are given in Teacher Training Colleges which are generally independent of and at times hostile to the Universities and the liberal arts and science colleges. One result of this separation is the loss in the quality of recruits to the profession. Quite often, students who fail to secure admission into the Universities crowd into the training colleges. Even in the case of abler students, their lack of college education often makes them incapable of taking full advantage of the professional courses. The British and the Indian practice on insisting on a first degree as a condition for entrance to the training college seems to be more appropriate. It is interesting to note that some American universities have also introduced graduate courses of training on similar lines.

Rules of certification seem to place greater emphasis on professional courses and techniques of teaching than on the candidate's general ability or knowledge of the subject matter or understanding of children. Professional courses have of course their value and they have helped to raise the status of the teacher. Over-emphasis on the techniques however tends to defeat the purpose of such courses. My own view is that professional courses are most helpful if they follow and do not precede the actual experience of teaching. Rigidity of the rules of certification tends to perpetuate existing low standards in secondary schools. If a sufficient number of young and enthusiastic teachers with adequate knowledge of the subject matter were inducted in secondary schools, the probability is that they would demand and exact higher standards from the pupils. This would lead to an all-round improvement of secondary education in America.

THE NEW CAPITALISM

(CONTRIBUTED)

THE most outstanding feature of the second quarter of the present century has been the survival of capitalism despite many gloomy prophecies to the contrary. The Jeremiad prediction of Marx about the inevitable collapse of capitalism has not proved to be correct: on the other hand, it appears to have acquired a new vitality—a phenomenon to which reference has been made in a recent study by John Strachey. There has occurred a strange transformation in the structure of contemporary capitalism: this transformation has been accelerated by the fact that, even in the most capitalistic countries, the representatives of the masses have been able to put pressure on Governments for better distribution of incomes, for social insurance of all kinds, and for measures to raise the level of employment. This is true not merely of such countries as UK, France, West Germany, Norway, Sweden and Switzerland, but also of USA which is generally looked upon as the strongest citadel of capitalism.

Most of the usual arguments against capitalism do not apply to the American economic system as it has

emerged through the past one hundred years or so. Let us take the case of competition first. Year after year, American manufacturers, big and small, engage in a constant race to offer newer, constantly improving and more saleable goods. The list of such goods is long and varied. Even the cursory visitor to the USA is impressed by this emphasis on the new and different. Competition has made the consumer king. Every phase of American business points to the consumer—the research laboratory seeking new products, the elaborate testing and consumer sampling procedures followed before new products are put on the market, the assembly line turning them out rapidly and cheaply, and the distribution system making them easily available.

Competition is so keen that the manufacturer who cannot find a way to fulfil a consumer's wants must go to the wall. This has its repercussions on the efficiency of production. The consumer always having a choice as to where he would like to spend his dollar, American manufacturers are in a constant quest for increased

efficiency and for better design, so as to produce the most tempting goods at prices low enough to attract wide sales. Typical recent examples are their unrelenting efforts to manufacture cheaper coloured television sets, electronic equipments, and consumer goods derived from the bye-products of the chemical industry.

The basic idea of American capitalism is that of an expanding economy. "Produce more and better goods at cheaper prices and there will be an increase in the number of consumers. This in turn would help to streamline production and bring down costs". In 1940, the USA had a gross national product of 100,600 million dollars and a labour force of 55.6 million people. In 1955, the gross national product amounted to more than 387,000 million dollars with a labour force of 65.3 million people. And, in 1965, the gross national product is estimated to rise to 500,000 million dollars with a working population of 75.8 millions.

The growth of national product has resulted in the working population sharing increasingly in the country's wealth and prosperity. The personal income of the American people was only 96,300 million dollars in 1941: in 1955 it had risen to 303,100 million dollars. This increase in personal income translates itself into an increase in the purchasing power of the population and assures the manufacturer of a continually growing market for his products. As a result, the latter does not hesitate to invest huge amounts in new plants and equipment.

The American economic system has thus become "dynamic" in the real sense of the term. On the one hand, the manufacturer is always thinking in terms of developing new designs and products. He is anxious to abandon established methods and lines of production and to "create" new consumption patterns. He constantly explores new products, designs and ideas, studying at the same time the factors determining the demand for his products.

The consumer, on the other hand, finds that his choice is no longer restricted to the stereotyped products of a monopoly (whether private or public): he can buy what he likes and reject what he does not like. As a result, life becomes easier and richer, and the average man finds greater leisure to devote to other pursuits of life.

The reasons why the USA escaped a trend towards monopoly are partly historic. When, in the latter part of the nineteenth century, the Trusts threatened to become too powerful, the Congress passed laws against them. The first important one was the Sherman Anti-Trust Law of 1890; the second was the Clayton Act of 1914. These laws prohibit companies from fixing prices, production or marketing quotas to the detriment of the consumer, and from conspiring to keep or force other concerns out of the market. It is true that these laws do not always work perfectly or to everyone's satisfaction, but a vigilant Government keeps a constant watch on the formation of Trusts and mergers, or on unfair business practices. The record of Court decisions on these subjects is comprehensive and long. Some of the earliest Court rulings broke up oil and steel trusts at the turn of the century while the Executive Branch of the Government watches unfair business practices through the Department of Justice, the Federal Trade Commission and other agencies.

As regards the charge of the capitalist system being subject to violent fluctuations, it is true that there have been fluctuations in the past culminating in the Great Depression of the thirties of the present century. But, lately, the American economic system has shown a remarkable resilience. Barring minor fluctuations, there has been no major depression during the past twenty-five years or so, and the probabilities are that the booms and depressions about which economic prophets used

to worry so much are not likely to recur—at least not to the extent of their past occurrence.

This has been facilitated by three factors: the ever-increasing demand of the consumer, the existence of large and strong labour unions, and the increasing part played by Government in the economy of the country. Contrary to popular belief, labour unions have a respected and accepted place in the economy. There are guaranteed annual wage agreements between management and labour: wage increases on account of "improvement factor" and "rise in the cost of living" are now-a-days normal features of these agreements. Moreover, the productivity increases resulting from improved manufacturing and marketing methods are shared by the management with the workers in the form of higher wages and shorter working hours. According to certain recent estimates (made by a leading workers' organisation), the purchasing power of the average hourly earnings of factory workers increased 23.5 per cent between 1947 and 1955.

In the words of a distinguished American economist (Prof. J. K. Galbraith), it is the 'countervailing powers' of a strong trade unionism on the one hand and of buyers' groups on the other which act as a bulwark against the 'original power' of monopolistic capitalism. But today, even the US Government are not sitting on the fence. Apart from the steps they have taken to curb monopolies and unfair business practices, they have established old-age pensions, unemployment insurance and many other measures which guard the welfare of the average citizen as well as help to maintain the purchasing power of consumers when business activity slows down.

Thus we have the strange spectacle that, today, more than three-fourths of the total national income in the USA is labour income, i.e., wages, salaries, social security benefits and related payments. Only one-eighth of the total national income goes to proprietors, including farm proprietors and self-employed business and professional people and another one-eighth goes to investors as dividends, interest and rents. Looking at the situation from another point of view, even after allowing for price changes, the average American worker can buy more than three times as much in goods and services now as he could in 1900. Nearly 60 per cent of all American families are home-owners; more than 70 per cent of them own automobiles; virtually every home has electricity; nearly 70 per cent of the population have life insurance policies valued at more than 73,000 million dollars. Today, half of all US families have incomes of 4,000 dollars or more.

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VISIT OF JAPANESE INDUSTRY MISSION

THE Japanese machine industry mission, now on a visit to India, has come at a very opportune moment. Sponsored by the Federation of Economic Organisations of Japan and consisting of top-ranking industrialists, the team will conduct an on-the-spot study of the industrial sector of India's second Five-Year Plan now in operation. It will assess the future course of Indian industry and also find out ways and means by which Japanese machine industry can contribute to Indian industry. It will further study the possibility of exchanging for Japanese manufactured goods the natural resources of India and the best way of further promoting trade.

Japan is now facing the biggest post-war industrial expansion period and mining and manufacturing production has already reached a level twice as high as in pre-war years. The machinery industry makes up a large portion of her industry, producing ships, rolling stock, automobiles, electric machines, machine tools, gauges, optical goods and so on. With the spectacular recovery she has thus made, she is now in a unique position to render help which will be of mutual benefit to Japan and India.

In spite, however, of the happy relations between India and Japan during the last nine years, the progress in economic collaboration has been slow. This is particularly striking when compared with the progress made by several European countries in their collaboration with the various schemes under India's Five-Year Plan. The U.K., Germany, Switzerland, France, U.S.A. and Russia have all contributed their share in either the public or private sector in the industrial progress of the country. These are reflected in agreements in such varied fields of industrial manufacture as steel, chemicals, ship-building, plastics, machine tools, electrical equipment and automotive equipment as also in irrigation and hydro-electric projects.

Why then did Japan lag in this respect? It may be that there were not enough opportunities for the two countries to learn about each other. Perhaps it may also be due to the fear that Japan will lose some of her export markets if there is industrial development of countries like India. But this seems to be baseless because any industrial progress in the present under-developed countries will only lead to an increase in the volume of external trade of those countries. The pattern of trade may change but the capacity to buy and absorb will continually increase. If Japan undertakes joint industrial projects with India, besides bringing benefit to both the countries it will ease Japan's problem of procuring industrial raw materials.

The future of Indo-Japanese trade depends on how Japan co-operates with India in the latter's industrial development and thus strengthens her ties with India. The progress of industrialisation in India has undoubtedly had its repercussions on Japan's trade and commercial policies. This can be seen from the fact that in exports from Japan to India, the emphasis is being placed on products of the heavy industries. Much of the increased imports from India to Japan are accounted for by raw cotton and future hope is placed on imports of Indian iron ore. The following trade

figures for 1954 and 1955 in some of the commodities will be of interest in this connection. (The unit is \$1,000).

JAPANESE EXPORTS TO INDIA

	1954	1955
Textile machinery	\$ 1,431	\$ 4,298
Electrical equipment	„ 1,432	„ 3,795
Steam locomotives	„ 1,718	„ 10,544
Rolling stock parts	„ 625	„ 5,943

INDIAN EXPORTS TO JAPAN

Raw cotton	\$ 10,581	\$ 21,928
Iron ore	„ 12,595	„ 18,270
Manganese ore	„ 3,101	„ 4,007

What are the ways in which Japan can contribute in India's industrial development plans? There are three ways immediately open to her. Firstly, she can sell her technical know-how in joint ventures to set up new industries, heavy as well as light, both in the public and private sectors. The industries that call for aid in this direction are many, such as mining, chemicals, artificial fibres, machine tools, light and heavy electrical equipment, shipbuilding, oil and so on. Secondly, Japan can supply machinery and equipment on an agreed basis of direct trading which does not strain India's trade balance. Of late there has been a perceptible increase in Indo-Japanese enterprises. Here mention may be made of the Insulator Plant at Bangalore and the Japanese partnership in a joint stock company floated to run the Sodapur Glass Factory. The manufacture of mining equipment is being started by an Indian firm with German and Japanese collaboration. The manufacture of electric coaches in India is to be taken up with the co-operation of a Japanese firm which will open a factory in partnership with a Calcutta firm. Negotiations are also going on for Japanese collaboration in the development of ports and laying of new railway lines on the eastern coast of India. Apart from these, there is positive scope for such collaboration in the setting up of steel mills, foundries, structural shops, hydro-electric development, chemical industries, oil, machine tools, dyestuffs, aluminium, optical goods etc. The experience of Japan in most of these can well be put to use for mutual advantage. To supply equipment for at least five to ten years and the know-how for the next ten or twenty years would be of no mean advantage to her.

There is one special field in which Japanese collaboration is eminently suitable in view of the bias in India's second Plan for small-scale industries. Japan can grant long or short term credit facilities in the private sector to small-scale industries for purchase of machinery and equipment through organisations like the Export-Import Bank of Japan or the Industrial Development Bank of Japan. India recently sent a team to Japan to study the organisation of small-scale industry there, which could be utilised in the development and mechanisation of cottage industries in this country. This has been now reciprocated by the arrival of the Japanese industry mission and the opportunity may well be utilised for striking a deal that will benefit both the countries.

A GOOD YEAR FOR COTTON EXPORTS

By
CROESUS

THE increasing strain on India's foreign reserves so soon after the commencement of the second Five-Year Plan has been causing serious concern in financial and monetary circles. When it is realised that a good part of it has been brought about by the decline in India's export earnings (particularly in respect of tea

and jute) the importance of the progress that India makes in respect of her basic commodities, say, cotton for instance, cannot be overemphasised. In fact, the role that our exports are to play in bringing about a solid payments position gains added significance in the light of the need for an acceleration in the import of

certain items, such as food grains, to check inflation.

Nor has the Government been indifferent to this aspect of the payments position. Indeed, it has spared no pains to ensure quick and substantial exports in commodities wherein India has an ample exportable surplus. The constitution of Export Promotion Councils and the sponsoring of delegations to various overseas markets with a view to getting first-hand reports on consumer preferences have all gone a long way towards helping our exports.

The export performance of raw cotton may well be cited as a model to be emulated by other commodities. Figures are now available of the export of raw cotton from India for the entire 1955-56 cotton season ended August 31, 1956. While these figures provide statistical confirmation of the forecast made by Shri T. T. Krishnamachari when the season was only half-way through, namely, that India would soon emerge as a net exporter of cotton, they also reveal that there has been a perceptible shift in India's selling policy in respect of cotton.

The following table provides, at a glance, the export picture in regard to cotton for 1955-56, with comparative figures for the previous season:

	1955-56	1954-55
	(In bales of 400 lbs.)	
Japan	223,484	143,541
Continent	81,927	76,390
U.K.	58,095	46,821
China	57,484	14,979
Hong Kong	30,094	25,239
U.S.A.	3,755	18,960
Others	2,514	2,762
TOTAL	457,353	328,692

Note: Zoda, Yellow Pickings, etc. accounted for an additional quantity of 120,697 bales in 1955-56.

While it is agreed on all hands that the Government's export policy has been more realistic than during the previous cotton seasons, occasions were not rare when some hurdles or other were there which prevented a fuller exploitation of the cotton supply position. Thus, difficulties were experienced by Indian shippers in the matter of effecting shipments of cotton to foreign destinations. Instances were there when shipping agents indulged in sailing away their ships either without any cargo at all or only taking a part of the cargo, even after booking firm freight!

Internally also there were transport bottlenecks and these continued, albeit to a lesser extent than last year, to be a source of uncertainty and inconvenience to the cotton trade. At one time, about 75,000 bales of cotton destined for the South had to await despatch for nearly two months in some stations on the Northern Railway. All these and allied pinpricks naturally ate into the quantum of exports of cotton from this country. If, in the face of such drawbacks, cotton has been able to establish a new record since Independence in the volume of exports, it only goes to show the progress that India has made in this behalf enabling her to become a net exporter of cotton.

It may be noted here, in passing, that the Government released export quotas only to the extent of 4 lakh bales in 1955-56 as against 5,31,000 bales in 1954-55. The increase in exports, despite the relatively smaller size of quota, may be attributed to the reduction in the export duty announced by the Government on August 4, 1955 from Rs. 125 to Rs. 50 per bale.

Destination-wise, it will be seen from the above table that Japan accounts for an offtake of more than half of India's total exports a point which is worth noting in view of the fact that, more often than not, India has to contend with Japan in her efforts to sell textiles in the overseas markets. Another significant

feature of the cotton export picture for the 1955-56 season is the growing popularity that Indian cotton is evidently having in China, as also in Hong Kong. The declining trend in exports of cotton to the USA is, of course, understandable, inasmuch as that country is itself saddled with an insurmountable cotton surplus problem. It should be clear from the recent agreement between India and the USA that it is not America which is going to get our cotton but it is the other way about!

In fine, notwithstanding certain difficulties, the performance of cotton exports during the season that has just ended has been exceptionally good and, given the same sympathetic and realistic policy of the Government, there is no reason why cotton should not maintain this happy record in the years to come. Perhaps, the only snag is the conflict of interests that is becoming markedly manifest in the Government's textile policy—with an eye on limitation of production due to ideological commitments—and its cotton policy—with an eye for raising the target of production. It is true that an increase in cotton production and a limitation on cloth production might theoretically spell a larger volume of cotton for export. But, then, the question arises whether increased cotton production would be encouraged when there is an obvious limitation on cloth production. Would it pay the farmer to keep on producing cotton when he is not sure where it would land—with the domestic mills or with the overseas importer?

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BUSINESS NOTES

NEW SET-UP FOR COAL

MR. K. C. REDDY disclosed at last Saturday's press conference that a scheme of fixing uniform prices for coal in the country is at present under active consideration. There is no doubt that the scheme will be put through, the only question left open at the present moment being what precise form would be given to it. It is difficult to expect that the basis of uniform prices will be the entire country and the probabilities are, as the Minister suggested, that they will be fixed on a regional or zonal basis. This will be arranged by means of the technique as was selected in the case of fertilisers, steel and cement. There is an overwhelming case for a system of uniform prices on some rational basis, since coal resources are heavily concentrated in Bihar and Bengal. In distant consuming centres the ingredient of the transport cost in the total cost is as high as two-thirds.

The Government's plan for coal expansion in the public sector is not only far from clear but positively confusing. The fact that the Hindustan Coal Corporation, which was registered recently as a private limited company at Ranchi, is to be in charge of overall management of coal production in the public sector is only a matter of form of organization. Mr Reddy stated that Rs. 30 crores would be required for the import of machinery for coal production. Presumably this figure refers to the requirements of the public sector. In addition to this, compensation will have to be paid for acquisition of existing leases from private lessees by the new Corporation. The quantum of this compensation is not yet estimated. When these two items are deducted from Rs. 40 crores, which is the financial provision made at present for coal in the public sector, a big question mark is raised how with the small balance the public sector is going to face up to the task of additional production of 12 million tons. Rs. 20 crores additionally required for the public sector appear difficult to be found. In such uncertainty, the insistence on restricting the share of private sector to an additional 10 million tons to be raised in the existing and contiguous mining areas only cannot be vindicated.

SELECTIVE CREDIT CONTROL

THE OBSTINACY of food grain prices to continue at high levels and the consequent stimulation which this trend has given to speculative activity have invited another directive from the Reserve Bank in respect of bank advances against specified commodities. The situation has been briefly stated in the communique putting curbs on credit. Bank advances against wheat and other food grains, and gram and other pulses are higher this year by 50 to 55 per cent relatively to advances at this time last year, the actual rise being from Rs. 12.2 crores on 26th August, 1955, to Rs. 18.9 crores on 17th August this year. The directive issued on 13th September last calls upon banks to maintain higher margins in respect of all advances of credit against food grains and pulses mentioned earlier as well as against cotton textiles including yarn. Higher margins are to be applied not only to fresh advances but to those outstanding. A reservation has been made in the case of textiles and yarn, which provides that credit granted to textile mills, or to persons or agencies for the purpose of export, will not be governed by the restrictions as to new higher margins.

Mr. T. T. Krishnamachari has categorically stated that Government would resort to selective controls at strategic points to curb inflation. Overall credit

squeeze would be most harmful in a period of accelerated developmental activity, throttling genuine requirements of expanded outlay and it is in the interests of the economy that Authority should not be driven to this drastic and ultimate course. An obligation, therefore, rests on institutional suppliers of credit to co-operate in making a success of the policy of selective control. It is certainly encouraging that this co-operation is coming in an ample measure from banks according to the testimony of the communique. It says that the directive regarding advances against paddy and rice issued by the Reserve Bank on 17th May last has been complied with by banks unreservedly and advances of this type have been brought down to healthier levels. It is apparent that the Reserve Bank's policy of April last, insisting upon fortnightly returns of advances, is proving substantial help in scrutinising the trends in advances in relation to their use for genuine trade or speculation.

BY PROOF OR PREJUDICE?

IT HAS become a habit with some of our neo-socialists, especially those who hold responsible positions and direct the destinies of the 378 million people of India, to speak disparagingly of the private sector, and to charge it with lack of initiative, without caring to take into account the notable contribution that the private sector has made to the industrialisation of India, especially during the past quinquennium, and this in spite of the none-too-conducive economic climate in which it had to function. Suffice it to say that all the major industries in the country today owe their origin to the initiative and enterprise of the private sector. It is, therefore, as unfortunate, even as it is unfair, that the role of the private sector is not fully appreciated by our policy-makers.

Many in the private sector do not even expect grateful recognition of their achievement, but, human as they are, they expect that they be at least spared the unthinking obliquity to which they are not unoften subjected. This is precisely what Mr. S. N. Haji, Chairman of the All-India Manufacturers' Organisation, pointedly observed, whilst addressing the quarterly meeting of the Organisation at Bangalore. As the latest proof of the private sector's ability to deliver the goods, the A-IMO Chief recalled how the private sector has not only succeeded hundred per cent in reaching the investment targets under the first Five-Year Plan but also made unprecedented progress in individual industries like cotton textiles, sugar, paper, cement, rayon, etc., where production in the year 1955-56 was either equal to, or in excess of, the planned targets.

Another point to which Mr. Haji drew the attention of his audience was that nowhere in the second Five-Year Plan has any mention been made about the incentives to be provided to the private sector. He accordingly pleaded for the relief and lower rates of taxes on profits for a specified period to encourage the development of productive enterprises, and also asked the Government to adopt the system of "incentive taxation" as evolved by the Taxation Enquiry Commission.

Continuing, the A-IMO Chairman said that industrial enterprises in the public sector should be run as public limited companies as, otherwise, the public would have very little access to information about these giant enterprises. This is more necessary now, as their scope will be very much enlarged during the

second Plan period. Further, he pertinently pleaded that the board of directors of these companies, like the Chittaranjan Locomotive Works or the Integral Coach Factory, should not consist of just a handful of chosen officials but include a few non-officials of integrity and experience. Experience has shown that wherever capable non-officials have been associated with Government undertakings, these undertakings have given a satisfactory account of themselves.

KANPUR ELECTRICITY SUPPLY ADMINISTRATION

THE WORKING results of the Kanpur Electricity Supply Administration for 1955-56 were marred by the strike in Kanpur mills in May, June and July 1955 which pushed down consumption of electricity during those months by as much as 31 per cent. The demand for the rest of the nine months rose by four per cent over the corresponding period of the preceding year, signifying that the secular rate of rise in demand during the lean months was not greater than four per cent. But for the strike total demand would have been 220 million units—5.2 million units more than the actual consumption.

Fall in production had its repercussions on the cost per unit which rose to 0.776 anna per unit instead of declining to 0.707 anna per unit or lower than in the previous year's cost of 0.738 anna per unit. This gives a fair idea of the price which the undertaking and the consumer had to pay for the strike in this public utility. As a matter of fact, the strike undid the work of the previous year when a significant reduction had been achieved in cost and the trend of the preceding three years had been reversed.

The administration is quite alive to the problem of rising demand in electricity because of the rapid progress of industrialisation in Kanpur and is planning to extend the capacity of the unit further by 10,000 k.w. during the second Five-Year Plan. It goes to the credit of the administration that it has so programmed the extension work that additional capacity would be available a little ahead of schedule.

STATISTICAL PICTURE OF BANKING: 1955

THE STATISTICAL TABLES relating to Banks in India for the Year 1955 published recently by the Reserve Bank is always a welcome publication, inasmuch as it provides a fund of information about the different types of banks functioning in the country right from the Reserve Bank of India, the supreme deity of the money market down to the humblest co-operative bank in the remotest village. It presents the reader with the most comprehensive picture possible of the Indian banking structure provided he has the patience to study and digest all the statistical Tables, Graphs and Maps that fill the volume. Often times it is the despair of the uninitiated that no attempt is made to interpret this mine of statistical information and make a delectable fare of it to the reader in the form of an intelligible narration. We believe this is not only practicable but very desirable too. The present publication too, like previous ones, presents the tables in two parts, one in a summary form and the other showing all the details. The former constitutes a consolidated picture as it were of the assets and liabilities of the several classes of banks, while the latter affords a detailed picture of the assets and liabilities of each individual bank.

According to the publication, there was a sharp increase in notes in circulation, the largest component

of total money supply during 1955, namely, of Rs. 1,30,976 lakhs; in 1954 it was of the order of Rs. 1,17,203 lakhs. There has also a steady expansion of banking in India during the year of report. There was an increase of 93 scheduled banks from 2765 in 1954 to 2858 in 1955. The earnings of exchange banks as well as of the scheduled banks also increased from Rs. 1,154.2 lakhs to Rs. 1,347.5 lakhs and from Rs. 3,718.7 lakhs to Rs. 4,145.4 lakhs, respectively.

The number of savings bank accounts in the post offices, saw a slight increase from Rs. 50,69,769 to Rs. 53,84,149. This is broadly indicative of the rate of capital formation in the lower income group and if this can be taken as the result of the large developmental expenditure during the past year, being the last year of the first Plan, it points to the improbability of any further spectacular improvement in this direction during the second Plan period.

Banking activity during the year, which is represented by the number of cheques cleared showed an improvement. The number of cheques cleared increased by 13,99,841 i.e. from 340,73,322 in 1954 to 3,64,63,163 in 1955

Despite an increase in the number of banks and banking activity the progress registered cannot be said to be highly satisfactory. Banking activity in India has yet to extend, particularly in the rural parts, especially now when mobilisation of internal reserves for the second Five-Year Plan is so important. Although the State Bank of India did open a number of branches, the glaring fact remains that it has yet to reach many small places which have not had the benefit of modern banking facilities. There was some reason for private commercial banks to be hesitant in this behalf, but after all the assistance and subsidy provided by the Government, the State Bank of India cannot have any excuse to justify the attitude of inertia that still seems to haunt it.

SMALL-SCALE VS. LARGE-SCALE INDUSTRIES

SOME CONFUSED thinking would appear to be haunting the minds of the protagonists of small-scale industries, on the one hand, and of the Government, on the other. Prominent members of the All-India Khadi and Village Industries Board, like Mr. Jhaverbhai Patel, evidently—or is it conveniently?—forget that full employment conditions were achieved in highly industrialised countries, when they plead for the imposition of economic sanctions, if the consumers disregarded village industries which are being revived and revived in order to combat unemployment. This is not at all to underestimate the importance of cottage and small-scale industries in our economy. But, what is wanted is, as Mr. Tulsidas Kilachand rightly said in the Lok Sabha, a "clear thinking" regarding the relative roles to be assigned to small-scale and large-scale industries. As he also pertinently added, experience has shown that full employment has been attained not in those countries which have a low level of technological advancement but in the highly industrialised countries. A sizable increase of national income and higher standards of living, which the second Five-Year Plan aims at, can be achieved only by rapid industrialisation. Technological progress, large-scale production and rapid industrialisation are the only sure remedies for our economic ills. It is hoped that, in their zeal to popularise the products of our village industries and encourage small industries, the spokesmen of small industries, as well as those at the helm of affairs, will not adopt policies that only make confusion worse confounded.

BOOK REVIEWS

STATISTICS WITHOUT TEARS?

Statistics and Their Application to Commerce: By A. R. Hiersic. Published by: H.F.L. (Publishers) Ltd., London: Pp. 461: Price 25s. net.

The eleventh revised edition of this interesting textbook on elementary statistics makes a major departure from the usual layout of books on this expanding subject in discouraging unintelligent application of formulae to data, and in its special stress on the assimilation of the statistical methods. There is no doubt that the foundations of this science are laid on mathematical techniques but that is hardly an argument for the student to get involved in the labyrinth of formulae. Written primarily for students of commerce, the intricacies of the subject are explained in such a lucid style that the book will fascinate even the non-students.

Of special interest are the chapters on sample surveys and the description of survey bodies, in particular the section on the drafting of questionnaires. Mr. Hiersic has advocated the use of smaller questionnaires in order to keep the length of the interview short; this is a lesson which some of our Universities and Schools of Economics, which have been called upon by the Planning Commission to conduct some social surveys, must take note of. Their recent questionnaires have been staggeringly long. The chapters on index numbers, quality control, correlation and 'Statistics in Business' need special mention because of the simple, straightforward and clear manner of exposition.

The book, however, suffers from the absence of test questions and a sufficient number of solved examples. Difficult concepts like "the null hypothesis" should be illustrated with the help of a few interesting examples.

ECONOMIC DEVELOPMENT STUDY

Indian Agricultural, Industrial and Trade Review: Rs. 10: pp. 416.

In bringing out this publication, the Andhra Education Society has trailed a new and novel path in the matter of collecting money for its School Building Fund. Perhaps, in these days when there are hardly any millionaires left who could give handsome donations for such causes, this is a good way out. The merit of the publication lies, however, in the fact that besides serving its own cause thus, it also places at the disposal of readers a choice fare of authoritative articles.

The articles are all written by persons competent in their respective spheres of activity. Accordingly, to those who are interested, especially in the economic development of the country, these articles make instructive and interesting reading.

Apart from a study of our major industries, the articles cover a number of topics of lasting interest such as planning, social welfare, labour, community projects, etc., all fully supported by statistical data which throw a flood of light on the achievements of young India. In short, the publication makes the reader Plan-conscious and, incidentally, also adds to the stock of his knowledge. Mr. K. Rajagopalaswamy, the Hon. Editor, deserves to be warmly congratulated both for conceiving the idea and executing it so admirably.

BRITAIN

Britain: An official handbook prepared by the Reference Division of the Central Office of Information, London: 1956 Edition: Price. 7s. 6d.

This official handbook was first placed on sale all over the world in 1954. The information contained in

its 400 pages proved so valuable to those interested generally or in any particular aspect of Britain's national life, that it was decided to revise and publish the handbook annually. The co-operation of all Government Departments has made possible a unique collection of authoritative statistics most ably presented.

The 1956 edition gives not an exhaustive but an adequate description of the part the Government plays in the life of the people under headings of, Government and Administration, Defence, the National Economy, Industry, Transport and Communications, Labour Finance, Trade, Social Welfare, Housing and Planning, Religion, Science and Arts, Sound and Television, Broadcasting and the Press. Information on these aspects of British national life has been strengthened by the provision of several tables, diagrams, maps and photographs.

The price of the publication quoted is reasonable and one that makes it easily procurable by a library of any size. In any case, every Indian library of repute should obtain this publication.

THE EASTERN ECONOMIST PUBLICATIONS

	PRICE Rs.As.Ps.
The Economic Progress of Russia, 1860-1948 by E. P. W. da Costa	1 8 0
India's Foreign Trade: Part I by L. K. Jha	1 8 0
The Welfare State by T. W. Kent	1 0 0
Japan's Post-War Industrial Recovery by Sherwood Fine	1 8 0
Radical Humanism by M. N. Roy	1 8 0
What Goes on in the U.S.S.R.? by "Odysseus"	1 4 0
Communism and India by Philip Spratt	1 8 0
India and The Free World	0 8 0
India's Food Problem by P. A. Gopalakrishnan	1 4 0
A Programme of National Education for India by Humayun Kabir	0 8 0
Deficit Financing, Capital Formation and Price Behaviour in an Under-Developed Economy by V. K. R. V. Rao	1 8 0
Sea Power in the Indian Ocean by C. S. Venkatachar	0 8 0
Gold and Its Price by Arthur H. E. Taylor	0 8 0
International Capital Movements by C. M. Palvia	1 8 0
Goods Transport and the Plan by B. V. Vagh	1 0 0
India in Asia by E. P. W. da Costa	1 0 0
Company Finances in Indian Industries by S. K. Chaudhuri	1 0 0
A Lecture on the Dollar Problem by Donald MacDougall	1 0 0
The Economic Development of South- East Asia by E. P. W. da Costa & K. Rangachari	1 0 0
Asia between Malthus and Marx by Raymond Aron	0 8 0
Road Transport in India by B. V. Vagh	1 0 0
The Public Sector by Dr. N. Das	1 8 0
Post-War Industrial Relations in India by R. C. Goel	1 8 0
Geographical Realities of India by C. S. Venkatachar	2 0 0
India and China by Dr. Wilfred Malenbaum	1 0 0

The Manager

The Eastern Economist Ltd.
52, Queensway, New Delhi

Economic Report from the U. S.

OIL AND SUEZ

(By GUY SIMS FITCH)

WASHINGTON Sept. 18.—At this writing, officials from major oil producing areas in the US are meeting in Washington to consider a possible substantial increase of American oil output because of the Suez situation. The meeting is the first tangible result of conferences among government and oil industry experts who for the past four weeks have discussed what could be done should traffic through the 103-mile Suez canal stop or slow down.

For although a boycott of the canal is not part of the diplomatic planning, as Secretary of State Dulles explained on his departure on Monday to the User Nations' Conference in London, neither Government nor the oil industry can ignore the possibility that tankers might have to be detoured around Africa. Such a detour will raise the formidable problem of changing the world's oil supply pattern. Ships routed via the Cape of Good Hope to European ports would have to cover twice their usual distance.

Since Europe receives close to 1.2 million barrels of crude oil a day by tanker via Suez (in addition to about 700,000 barrels through Mideastern pipelines), there would be a painful lag in oil supplies because of the longer travel time unless provisions are made to fill the gap. Moreover, to keep European refineries in operation Western Hemisphere production would need to be stepped up, in Venezuela and even more so in the United States, according to industry experts. Such an increase of Western Hemisphere crude production would come to an estimated 750,000 barrels. Getting this extra volume of crude above ground poses certain problems, since in all major areas in the United States, with the exception of the State of California, limitations on production are in force.

But expert opinion is that facilities are sufficient to step up present American production schedules. Increasing output is, at any rate, part of the solution which experts, such as international oil consultant Walter J. Levy, considers the most logical. According to their views, some 100,000 barrels a day now flowing through Mideast pipelines for the US market (in addition to the 700,000 barrels already going to Europe) should be diverted to European ports. Europe's remaining need would then be filled partly from increased Western Hemisphere production, partly by the rerouting of tankers. This rerouting of current tanker runs, to get oil to Europe in time to prevent rationing or curtailed refinery operation, is a major problem which still has to be worked out in detail.

There would be a need for carefully co-ordinating tanker schedules of several nations, and also demand for new tankers. Industry experts here, therefore, expect increased demands for "de-mothing" some 37 US Government-owned tankers over 11,000 tons, of some private tankers now laid up and also for accelerating the tanker construction programme now under way. This programme calls for 100 huge tankers, but some of them will not come off the ways for several years. The world's shipping industry is at present already hard pressed to meet oil transporting needs and, in the estimate of some shipping executives those needs might go up as much as 42 per cent should the Cape detour become necessary. Additional problems arise from the higher cost of the detour and also from the fact that oil to be bought for dollars would put a strain

on the balance-of-payments situation of oil-importing countries. To alleviate this dollar drain, Mr. Dulles has indicated that credits might be available to oil importing countries from the Export-Import Bank in Washington.

These are only some of the formidable Suez problems. But after extended study and statistical compilation on the whole question, oil industry circles here and in Europe are confident that they can fill the world's oil needs, should present efforts fail to keep the Suez canal open and operating efficiently.

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COMPANY AFFAIRS

THE NILGIRI TEA ESTATES, LTD.

The Company secured a total tea crop, during the year ended March, 1956, of 7.80 lakh pounds at 127.27 cents (or Rs. 1-4-4) per lb. and sold it at an average of Rs. 1-12-9 per lb. The Coffee crop for the same period amounted to 1007 bushels at Rs. 67-14-5 per bushel. Sales of both crops totalled about Rs. 14.95 lakhs, comprising tea a little over Rs. 14.64 lakhs and coffee some Rs. 30 thousand. The estate working expenditure for tea was Rs. 9.93 lakhs and that for coffee Rs. 68,398, making a total expenditure of some Rs. 10.61 lakhs. After allowing for the usual charges, including provision for taxation (Rs. 1 lakh), depreciation (Rs. 84 thousand), etc., there is a net profit of Rs. 1,33,526 which together with Rs. 7,793 brought forward, amounts to Rs. 1,41,324. Out of this is to be deducted the preference dividend for 1955-56 of Rs. 18,219, which leaves a balance of Rs. 1,23,105. The Directors have recommended payment of 6½ per cent dividend on ordinary shares for the year (the dividend on new shares from May 20, 1955), which absorbs Rs. 80,560. Another Rs. 40,000 has been recommended for transfer to debenture redemption fund, leaving a balance of Rs. 2,544 to be carried forward.

The Company's present total acreage, spread over Malloor, Kokayar and Stagbrook estates, (the last estate was taken possession of on May 12, 1955) is tea in bearing 1,394.93 acres, tea—new clearing 28.17 acres, coffee 164.96 acres, blue gum 6.50 acres and cashew, buildings, reserve, etc., 857.81 acres, making an overall total of 2452.37 acres.

GIELLE TEA CO., LTD.

The Directors' report of the Company's working for 1955 makes disheartening reading. Compared to the previous year, while the working cost per pound of tea produced has shot up from 28.64 annas to 35.48 annas, the total net average sale price has slumped from 49.13 annas to 33.80 annas. This has been attributed mainly to the short crop made during the year—a total of 2,35,761 lb. of tea against an estimated 2,68,000 lb. The loss of crop as well as of quality was the result of damage done by a hail that hit the estate towards the end of April. The increase of 1½ annas in the daily wages of labourers from April and a further increase of 2 annas imposed by a Government order from July meant an increase of 1.94 annas per pound of tea produced and is calculated to mean an increase of 2.85 annas over a full year. In addition, the Industry was obliged to agree to retrospective payment of bonus to labour for the years 1953 and 1954. The Company has provided Rs. 27,852 in the accounts for this purpose, which, in terms of the cost per pound of tea, equals 1.89 annas.

The Company has suffered a revenue loss for the year of Rs. 13,876 to which has to be added reserve for staff expenses and depreciation and replacement of assets. After allowing for other adjustments and transferring Rs. 30,000 from Renewals and Additions Reserve, the net loss for the year amounts to Rs. 62,815 and a debit balance on this Account of Rs. 25,965 which is carried forward to the next year. Estimates for the current year have been based on a crop of 3,300 maunds of tea at a revenue cost of Rs. 5,79,000, which comes to 35.09 annas per pound. This includes the recent additional imposition of West Bengal Entry Tax of one anna per pound.

BALMADIES PLANTATIONS, LTD.

As against an estimated 1,300 cwt., the Company harvested, during the year ended May, 1956, a record crop of 1,577½ cwt. of coffee which has been valued at a conservative rate of Rs. 2-2 per point. It is not unlikely that a higher realization may be possible in view of Government allowing larger quantities of coffee for export. The sale proceeds for the 1955-56 crop at Rs. 2.87 lakhs show a sizable increase of nearly Rs. 53,000 over the previous year's figure. There has also been a corresponding increase in the estate expenditure from Rs. 1.51 lakhs in the previous year to Rs. 1.88 lakhs in the year under report. Other notable increases in allocations have been in provision for taxes which has been nearly quadrupled from Rs. 8,200 to Rs. 32,000, and in depreciation, which stands more than doubled from Rs. 2,652 in 1954-55 to Rs. 5,636 in the year under report. Establishment expenses, however, show a sharp decline from Rs. 8,906 in the previous year to Rs. 4,983 in 1955-56. The large increases in the different allocations have resulted in a comparative decline in the net profits which is Rs. 35,002 in the year under review against Rs. 47,474 in 1954-55.

The profit plus Rs. 22,734 brought forward makes available a sum of Rs. 57,736. Out of this, the Directors have recommended payment of a 6 per cent per annum dividend on preference shares (tax-free) which absorbs Rs. 4,500. They have also recommended a 10 per cent dividend on the increased capital of the ordinary shares which takes away Rs. 30,000 leaving Rs. 23,236 to be carried forward.

The total acreage of the estate is 422, comprising, among others, 295 acres of Arabica Coffee in full bearing and 24 acres in partial bearing. The 1952 new clearing is expected to come into partial bearing during the year 1956-57. A conservative estimate of 55 tons at a cost of Rs. 138 per cwt. has been made for the current year. The low estimate is due to the leaf rot disease that has suddenly appeared; efforts are, however, being made to keep it in control.

NEW CENTRAL JUTE MILLS CO., LTD.

NOTICE is hereby given that in compliance with several requests the Board of Directors have extended the date of closing of Share Transfer Books. The Share Transfer Books of the Company will now remain closed from 5th October to 15th October, 1956, both days inclusive (instead of from 21st September to 30th September, 1956) and the interim dividend of Annas - 12/- per Ordinary Share will be payable to the registered shareholders as on the 5th October, 1956.

By order of the Board,

SAHU JAIN LTD.,

Managing Agents.

CALCUTTA,

12th Sept., 1956.

COMMODITY NEWS AND NOTES

ALL-INDIA FIRST ESTIMATE OF JUTE 1956-57.

The All-India first estimate of Jute, 1956-57, puts the current year's area at 1,634,000 acres as against the corresponding adjusted estimate of 1,425,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. This shows an increase of 209,000 acres or 14.7 per cent in area during the current year as compared to last year. The major portion of the increase in the current year's acreage has been in Bihar though small increases have been reported from U.P. and Tripura also. These increases have generally been attributed to favourable weather conditions at the sowing time. Increase in acreage has, however, been offset to some extent by decreases registered in West Bengal, Orissa and Assam.

The information given in this Estimate generally covers the period up to the middle of July, 1956. Till then, the condition of the crop was reported to be on the whole satisfactory.

This Estimate does not cover the entire area sown to this crop. The area reported in the final estimate is generally slightly higher than in this Estimate.

WORLD GOLD PRODUCTION

World gold production, excluding that in the USSR is estimated to have risen to 27.15 million fine ozs. in 1955 from 25.85 million fine ozs. in the previous year. Output in the USSR is generally believed to be more than 10 million fine ozs. As a result of the sharp increase in gold production in South Africa, the Commonwealth's share in the total production rose to 80.8 per cent in 1955 from 77.6 per cent in the previous year. Gold output in South Africa is placed at 14.6 million fine ozs. during the year under review compared with 13.24 million fine ozs. in 1955. Output in India, however, has fallen from 241,000 fine ozs. to 212,000 fine ozs. during the year under review. Among the dollar area countries, production rose from 1.86 million fine ozs. to 1.89 million fine ozs. in the USA and from 4.37 million fine ozs. to 4.55 million fine ozs. in Canada. It was estimated in 1955 the London gold market handled not less than 85 per cent of fresh gold supplies coming to the international free market.

TEA ACREAGE IN CEYLON

The area under tea in Ceylon decreased by nearly 10,000 acres in the year ending March, 1956, as compared with the previous year, according to the administrative report of the Ceylon Tea Controller for 1956. The total area under tea cultivation at the end of March, 1956 was 565,518 acres, the figure for the previous year being 575,504.

SETBACK IN SOUTH INDIAN TEA PRODUCTION

Tea output in South India in June 1956 declined sharply to 11.7 million lb. from 20.1 million lb. in the previous month. The output during June this year was even much lower than the production in the corresponding month of 1955, when it totalled 14.5 million lb. Total production during the current year up to the end of June was also lower at 64.7 million lb. compared with 68 million lb. in the first half of the last year.

US COTTON CROP ESTIMATE

The Crop Reporting Board of the Department of Agriculture estimates production of 1956 cotton crop.

as of September 1, at 13,115,000 bales (of 500 lb.). This compares with last month estimate of 13,552,000 bales and last season's final output of 14,721,000 bales.

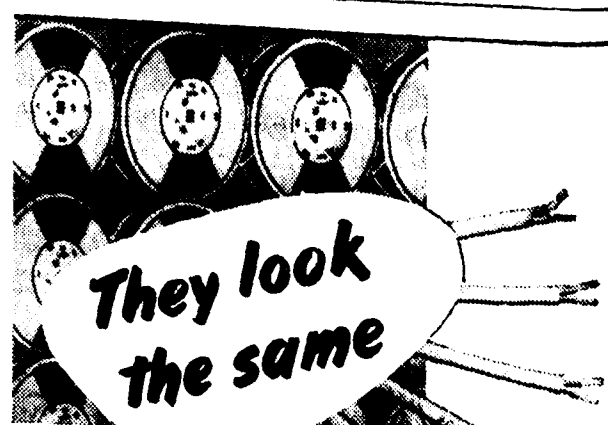
MARKETING OF TAPIOCA

About 22,000 tons of Sago (tapioca globules) are manufactured in India annually according to a report on the Marketing of Tapioca issued by the Directorate of Marketing and Inspection, Union Ministry of Food and Agriculture. In addition to the manufacture of tapioca globules, considerable quantities of starch, so very necessary for sizing in textile industry, are also manufactured from tapioca. Besides these two industrial products, tapioca is also used as food on the west coast as a supplementary food to rice. With the increase in demand of starch from textile industries and also export demand for starch, tapioca is gaining considerable importance in India. Synthetic rice is also manufactured from tapioca flour.

The report includes information on the various aspects of production, processing, prices and markets and marketing in respect of this crop.

IRON OUTPUT

The estimated total output of iron ore in India increased from 291,650 tons in June 1956 to 325,360 tons in July 1956, according to official statistics released by the Chief Inspector of Mines in India. Returns received from 109 mines for the month of July 1956, show despatches totalling 241,043 tons to the iron and steel plants and 86,726 tons to the export market. The reported stocks as at the end of the month amounted to 1,379,034 tons.



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A copy of this Prospectus having attached thereto the documents required by Section 60 of the Companies Act, 1956 has been filed with the Registrar of Companies, West Bengal.

An application will be made to the Stock Exchange at Bombay, for permission to deal in the shares now being offered and in due course for an official quotation.

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

The subscription list will open at 10-30 a.m. on the 24th day of September, 1956, and will remain open until the 8th day of October, 1956, unless closed earlier at the discretion of the Directors, but not before the 3rd day of October, 1956.

PROSPECTUS of THE EAST INDIA HOTELS LIMITED

(Incorporated under the Indian Companies Act VII of 1913)

Authorised Capital Divided into:

1) 1,00,000 6% tax-free cumulative Preference Shares of Rs. 100/- each	Rs. 1,00,00,000
2) 10,00,000 Ordinary Shares of Rs. 10/- each	Rs. 1,00,00,000
	Rs. 2,00,00,000

Issued

1,00,756 Ordinary Shares of Rs. 10/- each	Rs. 10,07,560
(Paid up Shares Rs. 55,128/-)	

Now being issued

30,000 6% tax-free Cumulative Preference Shares of Rs. 100/- each at par	Rs. 30,00,000
and 5,99,244 Ordinary Shares of Rs. 10/- each at par	Rs. 59,92,440
	Rs. 1,00,00,000

Of this, it is agreed that Rai Bahadur M. S. Oberoi and his friends will take up 99,244 Ordinary Shares of Rs. 10/- 'at par', by subscription in cash.

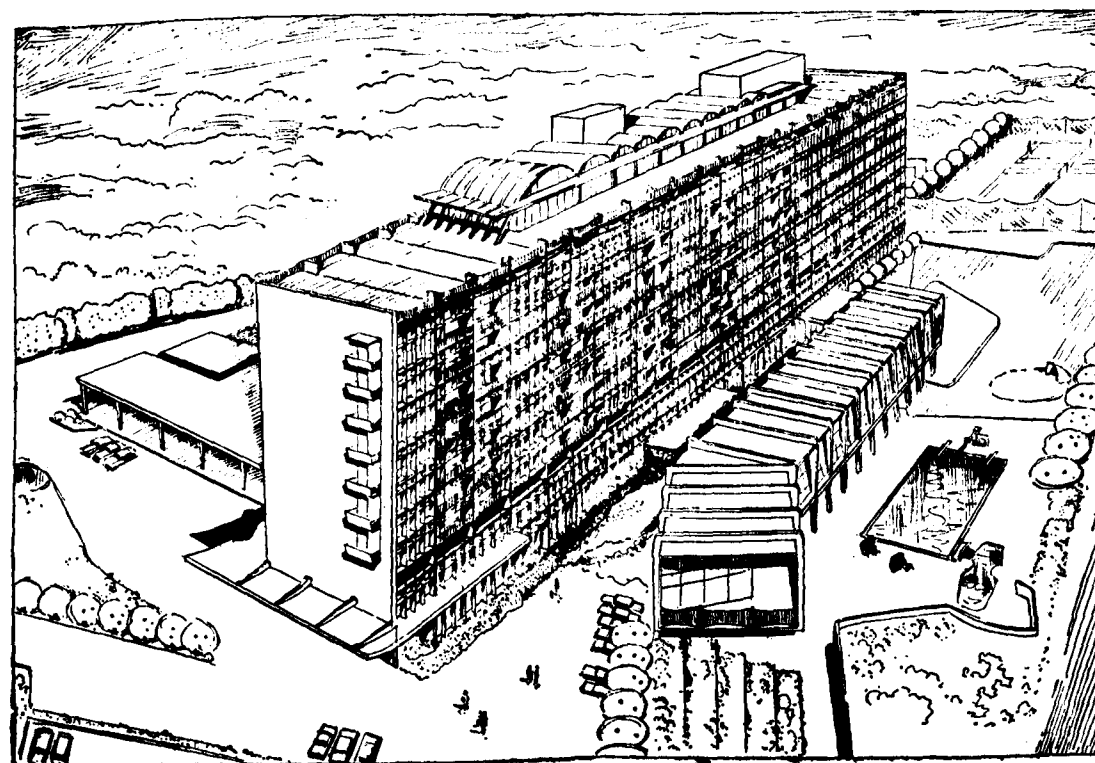
Further, it is agreed that with regard to the purchase of the immovable and movable assets of the Vendor Company appertaining to its hotel known as Oberoi Palace Hotel at Srinagar at their cost price for a total consideration of Rs. 15,10,654-14-3, Rs. 15,00,000/- will be paid and satisfied by allotment of 1,50,000 Ordinary Shares of Rs. 10/- each at par and the balance, i.e. Rs. 10,654-14-3 will be payable in cash to the Vendor Company.

PRESENT ISSUE

The remaining 3,50,000 Ordinary Shares of Rs. 10/- each and 30,000 6% (free of Income-tax) cumulative Preference Shares of Rs. 100/- each are offered for public subscription.

The amount payable in respect of the Preference

PROSPECTIVE VIEW OF OBEROI HOTEL, NEW DELHI,
MANAGING AGENTS: OBEROI HOTELS (INDIA) PRIVATE LTD.



and Ordinary Shares is as follows:

Rs. 25-0-0 per Preference Share on application, and

Rs. 25-0-0 per Preference Share on first call and the balance in two equal instalments provided that there shall be intervals of not less than two months each between calls and between application and first call.

Rs. 2-8-0 per Ordinary Share on application, and

Rs. 2-8-0 per share on first call and the balance in two equal instalments provided that there shall be intervals of not less than two months each between calls and between application and the first call.

(Applications must be for a minimum of 5 Preference Shares or multiples thereof and 10 Ordinary Shares or multiples thereof.)

Prospectus and application forms will be available from the Brokers to this issue and from the following Banks and their branch offices and the registered office of the Company.

1. State Bank of India, Chandni Chowk, Delhi.
2. Central Bank of India Ltd., Chandni Chowk, Delhi.
3. Punjab National Bank Ltd., Civil Lines, Delhi.
4. Mercantile Bank of India Ltd., Chandni Chowk, Delhi.

Completed application forms along with payment must be delivered before the close of the subscription list to any of the Brokers to this issue or the Banks, or the Registered Office of the Company.

Where no allotment is made, the deposit will be returned in full and where a partial allotment is made, the unutilised balance will be returned. The Directors reserve the right to refuse any application wholly or in part without assigning any reason. Failure to pay any amount due on the shares allotted, when due, will render previous payments and shares liable to forfeiture. The shares when issued will be subject to the Memorandum and Articles of Association of the Company, a copy of which may be inspected at the Registered Office of the Company during office hours. The Share Certificates will be issued within 3 months of the date of allotment.

DIRECTORS

Name & Address	Description	Director of
Calcutta		
1. Sir Dhiren Mitra, Kt., 2 Hungerford Street,	Industrialist	Central Board of the Reserve Bank of India, Central Board of the Indian Life Ins. Corp., Member, State Bank of India, Eastern Area, West Bengal Financial Corp., Angelo Bros. Ltd., Mahindra & Mahindra Ltd. & others.
Calcutta		
2. Mr. M. L. Khaitan, 226/1 Lower Circular Road,	Solicitor	Bata Shoe Co. Ltd. Associated Hotels of India Ltd. South India Insurance Co. Ltd. Shree Digvijaya Woollen Mills Ltd. Chowringhee Properties Ltd. & others.
Bombay		
3. Mr. Ramniwas Ramnarain Ruia, Bank Street,	Industrialist	The Finlay Mills Ltd. The New India Assurance Co. Ltd. The Bank of India Ltd. Andhra Valley Power Supply Co. Ltd. The Phoenix Mills Ltd. & others.
Bombay		
4. Mr. Murarji Vaidya, Industrial Estates, Lalbaug,	Merchant	Polsons Ltd. The National Electrical Industries Ltd. The Crescent Iron & Steel Corp. Ltd. The Bombay Silk Mills Ltd. The Indian Surveyors Ltd. & others.
Madras		
5. Mr. M. A. Chidambaram, Chettinad House, Raja Annamalaipuram,	Merchant	South India Insurance Co. Ltd. Indian Aluminium Co. Ltd. Automobile Products of India Ltd. Southern India Chamber of Commerce. Madras Industrial Investment Corporation Ltd. & others.
Delhi		
6. Rai Bahadur M. S. Oberoi, Maiden's Hotel,	Merchant	Associated Hotels of India Ltd. Chowringhee Properties Ltd. Indian Trade & General Ins. Co. Ltd. Hotels (1938) Private Ltd. Mercury Travels (I) Private Ltd. & others.
New Delhi		
7. Sir Usha Nath Sen, Western Court,	Merchant	Associated Hotels of India Ltd. Solan Breweries Ltd. New Victoria Mills Ltd. Indian Institute of Public Opinion & others.
New Delhi		
8. Mr. T. R. Oberoi, Hotel Imperial,	Merchant	Associated Hotels of India Ltd. Northern India Caterers Private Ltd. Hotels (1938) Private Ltd. Mercury Travels (I) Private Ltd. Everest Hotels Ltd. & others.

BANKERS

1. State Bank of India, Chandni Chowk, Delhi.
2. Central Bank of India Ltd. Chandni Chowk, Delhi.
3. Punjab National Bank Ltd., Civil Lines, Delhi.
4. Mercantile Bank of India Ltd. Chandni Chowk, Delhi.

STATUTORY AUDITORS

G. Basu & Co., Chartered Accountants, Calcutta.

BRANCH AUDITORS

A. F. Ferguson & Co., Chartered Accountants, New Delhi.

BROKERS

Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Fort, Bombay—1.

Batlivala and Karani, Union Bank Building, Dalal Street, Fort, Bombay—1.

Stewart & Co., 7, Royal Exchange Place, Calcutta.

Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, Post Box No. 300, New Delhi.

Dalal & Co., National Insurance Buildings, Madras—1.

MANAGING AGENTS

Oberoi Hotels (India) Private Ltd., Calcutta.

SOLICITORS

Orr, Dignam & Co., 29, Netaji Subhas Road, Calcutta.

REGISTERED OFFICE

17-B, Chowringhee Road, Calcutta.

DIVIDEND, CAPITAL AND VOTING RIGHTS

The following is a summary of the rights, privileges and restrictions attached to the Preference and Ordinary Shares of the Company and of the limitations upon borrowings and the creation of further shares.

Dividends: The profits which the Company may determine to distribute in respect of any financial year or any other period shall be applied, first, in paying the holders of the Preference Shares a fixed cumulative preferential dividend at the rate of 6% per annum (free of Income-tax) on the capital for the time being paid up thereon and the balance of the said profits shall be distributed amongst the holders of the Ordinary Shares in proportion to the amounts paid up on the Ordinary Shares held by them respectively.

Capital: The assets available for distribution to members whether on a liquidation or not shall be applied, first in repaying the shareholders of the Preference Shares the amounts paid up on such Preference Shares together with a sum equal to any arrears or deficiency of the fixed dividend thereon whether declared or not, up to the commencement of the winding up. The Preference Shares do not confer on the holders any further right to participate in the assets or profits of the Company. The balance of the assets shall be distributed amongst the holders of the Ordinary Shares in proportion to the amount paid up on the Ordinary Shares held by them respectively.

Voting: The Preference Shares entitle the holders to receive notices of any General Meeting, but do not entitle them to vote thereat unless

(1) the dividend on the Preference Shares or any part of such dividend has remained unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting, or

(2) the business of the meeting includes the consideration of a resolution which directly affects the rights attached to the Preference Shares. (A resolution for winding up the Company or for the repayment or reduction of its share capital will be deemed directly to affect the rights attached to the Preference Shares).

On a show of hands every member entitled to vote who (being an individual) is present in person, or by proxy, or (being a corporation) is present by a representative, or by proxy shall have one vote. On a poll, the voting rights in respect of the Ordinary and Preference Shares will be as specified in Section 87 of the Companies Act, 1956. No member will be entitled to be present or vote either personally or by proxy at any meeting in respect of the shares registered in his name on which any calls or other sums presently payable have not been paid or in regard to which the Company has and has exercised any right or lien.

Variation of Rights: The special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class but not otherwise.

Restrictions on Transfer of Shares: There are no restrictions on the transfer of fully paid shares, but the Directors may decline to register any transfer of partly paid shares to a person of whom they do not approve and may also refuse to register any transfer of shares on which the Company has a lien.

Borrowings: Subject to the restriction imposed by Section 293 of the Companies Act, 1956, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities.

PROSPECTUS

Objects: The East India Hotels Limited was incorporated on the 26th May, 1949, for the object set out in the Memorandum of Association generally and in particular to run the business of Hotels and Restaurants and their allied trades.

The Hotel Project at New Delhi: The hotel project at New Delhi will include public rooms, such as Lounge, Grill Room, Dining Room, Banquet Room, Conference Room, Swimming Pool, Shops, Restaurants, Nightclubs, etc. The hotel will be fully airconditioned and centrally heated and will be built and equipped on the most modern western lines. There will be ancillary establishments such as bakery, confectionery, laundry, ice and mineral water factories, etc. This hotel will be a small town in itself, and is expected to have 200 rooms with 375 beds and will be one of the best anywhere. Apart from this, the project will provide employment for a large number of persons. It is thought that the project itself will contribute a relatively fair percentage to the country's earnings of foreign exchange. A plot of land well situated on Mathura Road, in New Delhi has been allotted to the Company by the Government of India. This land has been acquired for the construction of this modern 9 storied hotel building with a height of 109 feet. The terms of the contract will be found

under the heading "Contracts Relating to Properties" of the Prospectus.

Oberoi Palace Hotel, Srinagar: The plans include the purchase from Hotels (1938) Pvt. Ltd., of the immovable and movable assets comprised in Oberoi Palace Hotel at Srinagar, Kashmir. Negotiations for the purpose have been completed with the Vendor Company. The Vendor Company has agreed to permit the Company to use the name "OBEROI PALACE HOTEL" in connection with the latter's hotel at Srinagar, without charging anything for the same. The Oberoi Palace Hotel started functioning from the middle of June 1955 and has been accepted as one of the finest resort hotels in the world. Important persons in the international travel market and international personalities such as Marshal Bulganin and Mr. Nikita Khrushchev of the Soviet Union, who recently stayed at this hotel have spoken highly of it. The Oberoi Palace Hotel is housed in the former Palace of Maharaja Hari Singh, and is situated on the Dal Lake and is spread over 50 acres of land with accommodation for 150 beds. It is luxuriously furnished and has a commanding view of the Lake and mountains. It is today fulfilling the needs of a first class hotel in Kashmir. Its initial success is indicative of how areas develop with improved facilities. During the period since its inception, the hotel has been full most of the time. Rai Bahadur Oberoi has secured a ten years' lease with two options of renewal for ten years each to operate the Oberoi Palace Hotel in the former Palace which has been altered, renovated, and improved for the purpose of operating as a hotel. The following is the summary of the capital expenditure incurred in this respect:

Furniture, Fittings, Cutlery, Crockery,	
Linen etc.	Rs. 6,22,563 12 9
Machinery & Boilers etc.	42,927 6 6
Electric Installation	85,377 11 3
Sanitary Installation	2,81,823 13 0
New Wing Construction	4,73,962 2 9
Expenses for lease of Palace and Orchard	4,000 0 0

Auditors Certificate: This is to certify that the above assets appear in the books of Hotels (1938) Private Ltd. at values noted against each item.

PROSPECTS

Scope for more Hotels: There is a growing need for hotels in both New Delhi and Srinagar. The present hotel accommodation in these two cities is quite inadequate to serve the increasing number of tourists and visitors. The existing hotels are consistently full and invariably there is difficulty in securing accommodation.

This is particularly so in New Delhi which is now ranked as one of the great political capitals of the world. This shortage of accommodation in the city, for instance, was acutely felt during the rush connected with the Indian Industries Fair in December last. The present accommodation in hotels in Delhi is 900 rooms. In the opinion of the Ministry of Transport, Tourist Division, Government of India, another 1,100 rooms are required. With the completion of our new hotel and another which is in the process of construction in New Delhi, only 50% of this demand will be met. Therefore, there is scope for 500 more rooms to meet the total demand.

In the coming years the strain on hotel accommodation, especially both at Delhi and Srinagar, is likely to grow worse. On account of developments which are taking place, in the political, economic and cultural

spheres, the number of visitors, travellers and tourists from abroad is expected to increase considerably.

Political Missions: Politically, India's stature among the nations of the world has grown immensely. In Asia, India has come to occupy a dominant position. Nations of both the East and the West are looking to Delhi for giving a lead to establish world peace. Consequently, the country is being frequently visited by distinguished statesmen of the world. Visits of foreign Ambassadors and representatives of U.N. bodies, such as the Economic Co-operation for Asia and the Far East, the World Health Organisation, the International Monetary Fund, the International Bank for Reconstruction and Development and the International Labour Organisation, to India and its capital have been on the increase year after year. It is also well known that last year, a large number of distinguished state guests travelled through India, including Marshal Tito, the King of Saudi Arabia, the King and Queen of Nepal, the heads of the U.S.S.R. Government, the Shah and Queen of Iran, Mr. John Foster Dulles, the U.S. Secretary of State, and Lord and Lady Mountbatten.

Trade Missions: Economically India has made large strides. Her agriculture, industry, trade, banking and insurance have recorded notable progress. The country is just on the threshold of launching further huge development schemes under the second Five-Year Plan. This has attracted foreign businessmen, financiers, technicians, trade missions, etc., to visit the country for establishing business contacts and securing orders for their home products. The visits particularly of trade delegations in recent years to India have resulted in creating an atmosphere which augurs well for laying the foundations for expansion of not only trade with outside countries but also tourism. In this expansion, the hotel industry has scope for playing an important role in future. Locally, too, the growth of industry has led to the establishment of innumerable sales organisations, whose representatives have become a lucrative source of rich clientele for first class hotels.

Cultural Missions: Exchange of cultural missions, visits of foreign scientists and educationists and the number of tourists have all grown. Not only have these exerted pressure on hotel accommodation in important business centres, but have increased the number of banquets, luncheons, dinners, receptions, etc. to be catered for by hotels. Luxury hotels, properly furnished and fully equipped to satisfy even the most fastidious and discriminating guests who attend these functions are few and far between in the country, and this offers wide scope for entry into this field as proposed by The East India Hotels Limited.

Foreign Market: The enormous expansion in air-line traffic during the past decade also clearly indicates that the people of the world have become travel conscious. Thus, in 1954, the world airlines carried 9.3 million passengers over 375 million miles. By 1955, the figure increased to 69 million passengers and 1,407 million miles respectively. A major contributory factor to this expansion in tourism has been the enormous rise in family incomes especially in America. In the U.S. alone there are 14 million families with incomes sufficient to finance a round-the-world tour once during their adult life. This is mainly responsible for the growth in the number of U.S. tourists to different parts of the world as stated below:—

TURKEY In 1951, Turkish Customs recorded 370 North Americans as entering the country. By 1955, this number increased to 13,000.

EGYPT In 1951, the records indicated 3,700 North Americans as entering the country. By 1955, this number had increased to 23,000.

JAPAN In 1951, 700 North Americans visited Japan. In 1954, the number was 44,300.

AUSTRIA 61,800 North Americans visited Austria in 1951. By 1955, the number had increased to 1,19,000.

ITALY In 1952, 3,94,000 North Americans visited Italy, and in 1953 the figure was 5,54,000.

Statistics relating to earnings of foreign exchange from tourist traffic by these countries are not available. An idea as to such potentialities of tourism may, however, be had from the earnings of Japan. In 1952, dollar receipts from tourism in that country amounted to \$8.2 million. This figure rose to \$33.00 million in 1953 and \$39.00 million in 1954.

Pleasure and business travel has become one of the world's largest business and also one of the most lucrative. The satisfying of the basic needs, interests, and desires of tourists provides the key to unlock the barriers impounding tourist traffic and increase foreign exchange earnings.

International Airlines from the U.K. and U.S.A. have placed orders for a very big number of jet airliners for delivery in 1958. Each of these aircraft will be capable of, it is stated, carrying annually the same number of Trans-Atlantic passengers as the S.S. QUEEN MARY. This provides an indication as to the prospects of expansion of tourism in future.

India, too, is sure to benefit by this expansion in the volume of international traffic. It is expected that there will be an increase of 200 per cent in such traffic in Delhi by 1960. The hotel industry in Delhi will have to equip itself to meet this demand by increasing the hotel accommodation to a corresponding extent.

Government's Interest in Tourism: The Government of India has recognised the importance of making tourists comfortable. It has initiated several measures in this direction. It has sought to encourage establishment of up-to-date hotels and has striven to make travel comfortable by improving air and rail transport facilities and freeing the travellers from vexatious restrictions and cumbersome formalities. The Government has opened a number of tourist centres both in India and abroad for assisting travellers.

The Kashmir Government, too, is taking keen interest in encouraging tourism as it has proved an important source of earning foreign exchange. According to the Director of the Tourist Department of the State, 55,000 tourists visited Kashmir in 1955. During the current year 1,00,000 tourists are expected. The State Government is making adequate accommodation and transport arrangements for tourists. Ropeways are being built to link Tanmarg and Gulmarg. At Srinagar, a tourist centre, one of the biggest in the world, will soon be opened. The State Government proposes to open yacht clubs in various places in co-operation with foreign clubs, and arrangements are being made to revive winter sports on the pre-1947 scale. The State Government has earmarked Rs. 105 lacs in the second Five-Year Plan for providing facilities to tourists.

In short, the growing volume of tourism, the shortage of hotel accommodation, the dearth of luxurious hotels, and the Government's desire to extend assistance to the hotel industry, today offer a large scope for new ventures and it is to fit into this situation that The East India Hotels Ltd. has been formed.

Promoters: The promoter of the Company is Rai Bahadur M. S. Oberoi. He is not receiving any profit

or remuneration for his services as such. Rai Bahadur Oberoi has paid on behalf of the Company a sum of Rs. 7,77,000.- to meet certain payments in advance to the Government, Building Contractor and Architects. He will be entitled to be reimbursed these amounts by the Company and to be indemnified by the Company against all liabilities in respect of contracts entered into on behalf of the Company.

Backing of Oberoi Group: The two hotels will, have the backing of the Oberoi Hotel Chain having an international reputation and contacts, particularly with travel agents in Europe and U.S.A. It is very difficult for a single hotel to attain success on its own efforts, whereas a combine, with all the advantages of group management, will bring success and security to the investors. The East India Hotels Ltd., will have the full benefit of this international combine. The management of the two hotels of The East India Hotels Ltd., will be entrusted to the Managing Agents subject to the provisions of the Companies Act, 1956. The Managing Agents will not charge any remuneration for the first year of its operation.

OBEROI HOTELS

India

- Hotel Imperial, New Delhi.
- Hotel Cecil, Simla.
- Maiden's Hotel, Delhi.
- Swiss Hotel, Delhi.
- Hotel Mount View, Chandigarh.
- Grand Hotel, Calcutta.
- Hotel Mount Everest, Darjeeling.
- Palm Beach Hotel, Gopalpur-on-Sea.
- Oberoi Palace Hotel, Srinagar, Kashmir.
- Clarke's Hotel, Simla.

Pakistan

- Faletti's Hotel, Lahore.
- Flashman's Hotel, Rawalpindi.
- Dean's Hotel, Peshawar.
- Cecil Hotel, Murree.

Comprising the largest chain of 14 luxurious hotels in the East, the Oberoi Group has, by offering every facility for convenience and comfort, come to be recognised as the home for international travellers. It is known for its personalised service, cordial hospitality, and friendliness throughout the globe. And Mr. Oberoi as the Chief Executive of the Management of these hotels brings with him to The East India Hotels Ltd., a rich and varied experience acquired over a period of years. Under his supervision and management, the promotion of this Company should prove to be a successful venture from the very inception of its operation. It will also have the benefit of experience of some of the staff now under the employ of Mr. Oberoi to look after the interest of the Company in the initial stages. In order to keep in line with the policy of Indianisation, there is also a scheme under consideration to send young people for training to hotel schools abroad, so that the Company have experienced and trained personnel on its staff.

Co-operation of Inter-Continental Hotels Corporation (U.S.A.): Inter-Continental Hotels Corporation, which is a wholly owned subsidiary Company of Pan American World Airways, was formed some years ago at the instance of the American Government, particularly to provide technical assistance in connection with planning, construction, financing and operation of new hotels abroad. Pursuant to the policy of the U.S. Government of furthering the economic development of friendly foreign nations, The International Co-operation Administration had commissioned Pan American

World Airways to conduct technical assistance programmes with several countries.

Pan American World Airways is the only airline at present operating a complete round-the-world service, India, and particularly New Delhi, are a high light of a round-the-world trip. Pan American makes 5 round-the-world flights each week in each direction serving 34 countries and providing 80% of the total requirements of American tourists in this respect. It has established modern first class hotels in many parts of the world to meet the comfort and requirements of its passengers.

Pan American World Airways will be operating new jet aircraft on their round-the-world services from 1958. Other airline companies will also be operating similar aircraft. Each of these aircraft has a carrying capacity of 120 passengers, which is a 100% increase on the carrying capacity of the existing aircraft. A preliminary survey indicates that a 200% increase in tourist traffic may be anticipated as compared to 1955. Pan American World Airways is anxious to obtain first class hotel accommodation in India, operated to American standards. This Company will be in a position to provide such accommodation for the use of airline passengers and their crews.

The promoters are at present negotiating with Inter-Continental Hotels Corporation with the object of securing its patronage for the hotels under the management of Oberoi Hotels (India) Private Ltd., New Delhi and also with the object of getting the benefit of their latest technical know-how. These arrangements will materially assist the new Company by ensuring a regular flow of visitors to the hotels. The arrangements will also provide for training of Indian operational personnel in the U.S.A. and Inter-Continental Hotels will loan their technical staff if required during the initial period of operation. The Company may be provided with facilities to use the tele-type system of reservation throughout the 400 offices of Pan American World Airways.

SPECIAL PRIVILEGES FOR SUBSCRIBERS: Every subscriber to Preference and Ordinary Shares will be issued with the Oberoi Gold Card on request. The holders of the Gold Card will be entitled to all the amenities and particularly to a discount of 10% on room charges at the Company's hotels at New Delhi, Srinagar, and at others places where hotels may be built or acquired in the future. Moreover, the holder of an Oberoi Gold Card will be entitled to the same discount, i.e. 10% on room charges at all the other hotels in the Oberoi Group, throughout India and Pakistan. Besides, the discount of 10% on room charges, and other facilities and amenities, Gold Card holders will be assured of receiving exceptional personal service and attention at the Company's hotels and all the other hotels in the Oberoi Group in India and Pakistan. This unique service will indeed give the holder of a Gold Card a proprietary interest when staying at any of these hotels. A Gold Card will be valid for 5 years from the date of issue. In the case of companies, they will be required to nominate one person who will be entitled to the use and privileges of the Gold Card. In the case of individuals or others holding shares in joint names, only the first named holder will be entitled to the use of the privileges of the Gold Card.

PROCEEDS OF ISSUE

The entire project in Delhi and Kashmir will cost Rs. 1,25,00,000/- when fully developed with all ancillary establishments. The immediate requirements are Rs. 1,00,00,000/- but it must be emphasised that within this outlay the project is a completely finished entity

and will in no way be handicapped in its operation without the ancillaries which will be added at a later stage but which will undoubtedly enhance the efficiency and earnings of the project. This total capitalisation cost will be provided as under:

(A) By Share Capital			
30,000 6% tax-free Cumulative Preference Shares of Rs. 100/- each	Rs.	30,00,000	
7,00,000 Ordinary Shares of Rs. 10/- each	"	70,00,000	
			Rs. 1,00,00,000

(B) It is proposed to raise Rs. 25 lacs or thereabouts by the issue of debentures or by borrowing from the Company's Bankers or other sources on the security of its assets as may be decided by the Directors of the Company. The Directors expect that such a loan can be obtained at a rate not exceeding 6% per annum depending on the market conditions. The present intention is to raise the loan at a later date when the project is completed or is nearing completion and is operating at nearly full capacity, so that its earnings are sufficient not only to ensure payment of interest on the amount borrowed but also to set apart a sum of Rs. 2½ lacs per annum towards the repayment of the loan.

(C) The working capital which is estimated at about Rs. 4,40,000/- will be provided partly from the profit of the Company in running the hotel at Srinagar and partly lent by the Managing Agents free of interest.

The proceeds of the funds are proposed to be expended in the following manner:

	Rupees
(a) Construction of Hotel in New Delhi	
Land and Building	54,81,210
Electrical & Sanitary Installations, Lifts, Air-conditioning, (estimated)	33,00,000
Furniture, Crockery, Cutlery, Glassware, Carpets, Kitchen Utensils, Linen, Cooking Ranges, Laundry Plant, etc. (estimated)	19,68,790
(b) Assets of OBEROI PALACE HOTEL, SRINAGAR	15,10,655
(c) Expenses to this Issue	3,00,000
(d) Working Capital (estimated)	4,39,245
	1,30,00,000

ESTIMATES OF PROFITS

A general idea of profits, which a representative unit in the hotel industry can earn, can be had from the results of the working of the Hotel Imperial, New Delhi, of the Oberoi Hotel Group. An abstract of income and expenditure of this hotel for the years 1952-53, 1953-54, 1954-55 and 1955-56 is given in the table below. The figures are taken from the books maintained by Associated Hotels of India Ltd. which owns the hotel.

HOTEL IMPERIAL, NEW DELHI

Total Number of Beds: 150

Average Occupancy: 92%

	(Rupees in lacs)			
Income:	1952-53	1953-54	1954-55	1955-56
Board & Lodging etc.	21.17	21.85	24.03	26.53
Rental & Miscellaneous Receipts etc.	1.94	1.79	2.68	3.09
Sale of Liquor	6.11	6.06	6.55	7.33
	29.22	29.70	33.26	36.95

Expenses:

Food, Establishment, Rent, Taxes, Insurance & Miscellaneous	20.28	20.34	23.23	20.27
	8.94	9.36	10.03	16.68

Profits:

It will be seen from the above table that the percentage of expenses to income was 69.3 in 1952-53, 68.4 in 1953-54, 69.8 in 1954-55 and 54.8 in 1955-56 leaving thereof a profit margin of about 30% in the 3 years, 1952-53, 1953-54, and 1954-55 and about 45% in 1955-56.

The proposed New Delhi hotel will contain 200 rooms with 375 beds. The average number of residents is estimated at 230 per day in the year.

In the Oberoi Palace Hotel, Srinagar, there are 90 rooms with a provision of 150 beds. The average number of residents works out to 80 per day for a period of 8½ months.

The estimated profits calculated on the basis of the average occupancy in both the hotels are shown in the proforma income and expenditure statement below, for the first year after the completion of the project.

	(Rupees in lacs)		
	New Delhi Hotel	Palace Hotel Srinagar	Total
Total Accommodation	375 Beds	150 Beds	
Average Occupancy ..	60%	55%	
Income:			
Board & Lodging ..	41.00	5.75	46.75
Food Sale, Rental, Laundry & Miscellaneous Receipts ..	13.10	.85	13.95
Sale of Liquor ..	Nil	1.00	1.00
	54.10	7.60	61.70
Expenditure:			
Food, Establishment, Rent, Taxes, Insurance & Miscellaneous ..	22.48	5.85	28.33
Gross Profit ..	31.62	1.75	33.37

If the loan of Rs. 25 lacs is raised by the Company, the position of Profit and Loss will be as follows:

Gross Profit	33.37
Less Appropriations:	
Overhead Expenses of Head Office	.61
Interest on Loan	1.50
Depreciation	5.00
	7.11
	26.26
Less Tax payable @ 43% of the assessable profits	5.56
Tax on Dividend in excess of 6%	1.06
	6.62
Net Profit	19.64
Sinking Fund for Loan	2.50
	17.14
Preference Share Dividend at 6%	1.80
Ordinary Share Dividend at 15%	10.50
	12.30
	4.84
Reserve Fund	4.00
	6.84

It will be seen from the above statement that the Company can expect to earn an income of Rs. 61.70 lacs in the first year after the completion of the project, as against the expenditure of Rs. 23.33 lacs, leaving a gross profit of Rs. 33.37 lacs. Of the latter, a sum of Rs. 13.73 lacs is appropriated for interest on loan, depreciation, taxation at the present rate, and overheads. The estimated net profit available for distribution to shareholders would be Rs. 19.64 lacs.

Preference Dividend Cover: On the basis of an estimated net profit of Rs. 19.64 lacs, the dividend on the 6% Tax-free Cumulative Preference Shares will be covered over 7½ times by earnings.

After deducting from the estimated net profit of Rs. 19.64 lacs, the sum required for payment of dividend on Preference Share Capital, the balance of profit represents a return of 25.5 per cent on the amount of the issued Ordinary Share Capital. After providing a reserve of Rs. 4 lacs and a sinking fund of Rs. 2,50,000 every year, the Company according to the above Profit & Loss account will be in a position to declare a dividend of 15% Free of Tax to the Ordinary Shareholders.

The above estimate for the first year is made at 60% average occupancy and taking into account the depreciation relief for the first five years. In the course of the next five years, the average occupancy is expected to rise to 80 to 90% which means an increase in the income by nearly 40 to 50%. The consequent increase in earnings will more than compensate the Company for the higher incidence of tax from the sixth year, owing to the discontinuance of the development rebate thus enabling it to maintain, or perhaps even raise the dividend.

WINE PROFITS: The above profit, it may be noted, does not include profits on liquor sales in the New Delhi Hotel in view of the possibility of enforcement of prohibition there. Even if prohibition is introduced, the Company is likely to continue its sales of liquor to residents, permit holders and foreigners. If this additional income is taken into account, the earnings would be higher and will enable the Company to pay still higher dividends.

STATUTORY & GENERAL INFORMATION

Minimum Subscription: The minimum subscription in respect of the present issue on which the Directors will proceed to allot is Rs. 30,00,000/-.

	Rupees	Rupees
1. Purchase Price of Property		
Rs. 11,78,000		
Paid	6,17,000	5,61,000
2. Preliminary Expenses	20,000	
3. The Repayment of any money borrowed by the Company in respect of the foregoing matters	7,77,000	
4. Working Capital	4,40,000	
5. Any other Expenditure stating nature and purpose thereof and the estimated amount in each case: (To complete 100 rooms furnished and equipped)	27,02,000	45,00,000
Less Working Capital to be met out of Company's fund and advance from Managing Agents	5,00,000	
Shares already allotted	10,00,000	15,00,000
		30,00,000

Contracts Relating to Property: 1. The Government has allotted to the Company a plot of land measuring 6.32 acres in New Delhi for the construction of a new hotel building on international standards. The plot is situated near the Delhi-Mathura Road and Wellesley Road crossing in the north-east corner adjoining the Golf Club.

The terms and conditions under which this plot of land is being leased to the Company are specified by the Land and Development Officer, New Delhi in his letter No. O-L dated 17th December, 1955, addressed to the Company. The Lease will be completed in due course. This includes the following:—

(a) The Company is required to pay for the land as under:—

(i) For the area measuring about 5.46 acres at Rs. 2,00,000 per acre which comes to Rs. 10,92,000 plus Rs. 27,300 as annual ground rent at 2½ per cent of the premium.

(ii) For the area measuring about 0.86 acre at Rs. 1,00,000 per acre which comes to Rs. 86,000 plus Rs. 2,150 as annual ground rent at 2½ per cent of the premium.

(b) Only one-third of the area measuring 5.46 acres will be built over and the remaining area shall be left for gardens, roads, car parks, etc.. An area of about 0.86 acre will be converted into a lake and adjoining garden.

The construction of the building has already been taken in hand. A part of the building is intended to be completed by October and the entire project by mid-1957.

2. Agreement for Sale dated the 31st August, 1956, and made between Hotels (1938) Private Ltd., of the first part and Rai Bahadur M. S. Oberoi of the second part and the Company of the third part.

This Agreement provides for the purchase by the Company from Hotels (1938) Private Ltd. of the assets comprised in the latter's hotel at Srinagar at a price of Rs. 15,10,654-14-3 which will be paid and satisfied by the Company by the issue of and allotment of Rs. 15 lacs in its 1,50,000 Ordinary Shares of Rs. 10/- each at par credited as fully paid up and the balance, i.e. Rs. 10,654-14-3 will be payable in cash. The sale is subject to the consent of Yuvaraj Karan Singh the landlord to the assignment of the properties, comprised in two leases, dated 17th June, 1954, and the 12th November, 1954 in favour of the Company. As these leases stand in the name of Rai Bahadur M. S. Oberoi, he has been made a party to the Agreement. Rai Bahadur M. S. Oberoi and T. R. Oberoi who are the Directors of the Company are also Directors of the Vendor Company.

Expenses to this Issue: The estimated amount of the Preliminary Expenses including brokerage and commission is Rs. 3,00,000/-.

Directors' Qualification and Remuneration: The qualification of a Director shall be the holding in his own name or jointly with any other person of shares in the Company of the nominal value of Rs. 5,000/- Each Director will be paid out of the Company's funds by way of remuneration a fee of Rs. 64/- for attending each Board Meeting. The Directors will be entitled to be paid their reasonable travelling, hotel and incidental expenses of attending to and returning from the meetings of the Board or Committees of the Board and otherwise in the execution of their duties as Directors. All other remunerations, if any, will be determined in accordance with the Company's Articles and the Companies Act. A Director who performs extra service or goes or resides away from Calcutta for any purpose

of the Company may subject to Sections 198, 309 and 310 of the Act be paid such extra remuneration as the Board of Directors may determine. The Managing Agents can subject to Section 255 of the Act appoint 2 ex-officio Directors where the number of Directors exceeds 5 and 1 ex-officio Director where the number does not exceed 5.

Managing Directors: The Board may subject to Sections 316 and 317 of the Act appoint one or more Managing Directors of the Company. Such Managing Director will, subject to Section 255 of the Act, not be liable to retire by rotation but will cease to be a Managing Director if he ceases to be a Director. He will, subject to Sections 309, 310 and 311 of the Act, receive such remuneration as the Company may determine in general meeting. The Company will not appoint Managing Directors as long as it has Managing Agents.

Managing Agents:

Oberoi Hotels (India) Private Ltd. are the Managing Agents of the Company by virtue of the Agreement dated 26th May, 1949. They receive by way of remuneration for their services a commission of 10% on the net profits and are entitled to be reimbursed all expenses incurred on behalf of the Company. Such remuneration is subject to the provision of the Companies Act. The subscribed capital of the Managing Agents is Rupees Four Thousand divided into Four Hundred Ordinary Shares of Rupees Ten each.

Interest of Directors:

Sir U. N. Sen and Mr. M. L. Khaitan are Directors of Associated Hotels of India Ltd., of which Hotels (1938) Private Ltd. (the Vendor in respect of assets comprised in its hotel at Srinagar) is a subsidiary. Rai Bahadur M. S. Oberoi is a Director of Oberoi Hotels (India) Private Ltd., the Managing Agents of the Company and of Associated Hotels of India Ltd., and Hotels (1938) Private Ltd. Mr. T. R. Oberoi is a Director of Oberoi Hotels (India) Private Ltd., Associated Hotels of India Ltd., and Hotels (1938) Private Ltd.

Consent:

The consent in writing of the Auditors, Bankers, Brokers and Solicitors of the Company to act in their respective capacities have been obtained. The Auditors, Messrs. G. Basu & Co., have given and have not withdrawn their consent to the inclusion of their report and certificate in this Prospectus in the context in which they appear.

The foregoing written consents and copies of the contracts mentioned below have been attached to the copy of the Prospectus which has been delivered to the Registrar of Companies, West Bengal, for registration.

Contracts:

The following Contracts (apart from contracts entered into in the ordinary course of business) have been entered into by or on behalf of the Company and are or may be material.

(a) Agreement for the same dated the 31st August 1956, and appearing under the heading "Contracts relating to Property" of this Prospectus.

(b) Letter dated 17th December, 1955, from the Land and Development Officer, New Delhi setting out terms and conditions of the Lease of the land in New Delhi.

(c) Correspondence with Messrs. Uttam Singh Duggal & Co. Ltd., Delhi, Building Contractors for the construction of the hotel building.

(d) Correspondence between Rai Bahadur M. S. Oberoi and Inter-Continental Hotels Corporation.

(e) Managing Agency Agreement dated the 26th May, 1949 between The East India Hotels Ltd. and Oberoi Hotels (India) Private Limited, regarding the Managing Agency terms, remuneration, etc.

Brokers:

Brokerage at the rate of 4 annas per Ordinary Share of Rs. 10/- each and Re. 1/- per Preference Share of Rs. 100/- each will be paid to recognised brokers on allotments made in respect of applications bearing their stamps.

Messrs. Merwanjee Bomanjee Dalal and Messrs. Harbans Singh Mehta & Co., are the Managing Brokers to this issue and will be in addition entitled to a commission of 1 anna per Ordinary Share and 8 annas per Preference Share on all shares subscribed by the public.

AUDITORS' REPORT

We have examined the Accounts of East India Hotels Ltd., for the five years ended 31st March, 1956, and in accordance with the provisions of clause 24 of Part II of Schedule II of the Companies Act, 1956, we report as follows:

The Profit and Loss Accounts of the Company for these years were set out hereunder and have been arrived at after charging all expenses.

THE EAST INDIA HOTELS LTD.

Year ended 31st March	1952	1953	1954	1955	1956
Income	Nil	Nil	Nil	Nil	Nil
Expenses	8,092	256	270	270	6,191
Loss	8,092	256	270	270	6,191

We further report that no dividends have been paid in respect of any of the five years ended up to 31st March, 1956. The net assets of the Company as at 31st March, 1956 as disclosed by the audited Balance Sheet as at that date were as follows:—

Current Assets

Advance to Contractors	Rs. 1,932
Current Account with Mg. Agents	" 7,798
Balance with Bank	" 139
	Rs. 9,869
Preliminary expenses	" 13,125
	Rs. 22,994

Less Current Liabilities and Provisions

Sundry Creditors	Rs. 1,665
Net assets on 31st March, 1956	Rs. 21,329

Net assets of Rs. 21,329/- shown above are represented by:—

Share Capital of 1,00,756 Ordinary Shares of Rs. 10/- each, As. -[8]- per share called up	Rs. 50,378
Calls received in advance	" 4,750
	Rs. 55,128

Less Debit Balance in Profit and Loss account	33,799
	Rs. 21,329

G. BASU & CO.,

Auditors.

Inspection: Copies of Memorandum and Articles of the Company, the consent order of the Central Government, the Auditors' Report and Certificates and the Contract and correspondence referred to above and copies of the balance sheets and profit and loss accounts on which the Auditors' Report is based may be inspected at the Registered Office of the Company on any working day during business hours until the subscription list is closed.

Dated the 14th September, 1956.

Signed by the following Directors:

Sir Dhiren Mitra, Kt.

Mr. M. L. Khaitan

Mr. Ramniwas Ramnarain Ruia

Mr. Murarji Vaidya

Rai Bahadur M. S. Oberoi

Sir Usha Nath Sen

Mr. T. R. Oberoi.

Dated the 14th September, 1956.

THE EASTERN ECONOMIST

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The Manager,

THE EASTERN ECONOMIST LTD.,

52, Queensway

NEW DELHI

NORTHERN RAILWAY

HOLIDAY CONCESSIONAL RETURN TICKETS

Indian Railways are issuing concessional return tickets on the occasion of Dussehra, Dewali and Christmas holidays at 1½ single journey fares for first, second and third classes to stations situated at a minimum chargeable distance of 150 miles. For shorter distances, return tickets can, however, be issued basing fares for 150 miles, if the two single journey fares are more than the return fare for 150 miles.

The tickets will be available for 15 days, including the date of issue, for completion of the return journey. The return tickets for Dussehra will be issued this year from October 1 to 14, for Dewali from October 30 to November 4, and for Christmas from December 15 to January 5.

Break of journey on return trip will not be permitted but on the outward trip passengers can enjoy this concession as applicable on ordinary tickets.

Passengers are required to get their return tickets dated, indicating the date of commencement of the return journey, from the Booking Office of the starting station for the return journey failing which they will be treated as travelling without tickets.

For details contact the nearest Station Master.

Chief Commercial Superintendent.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

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

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

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

The book is of special value to libraries, scholars and devotees of Tulsidas. It has been issued in the following four editions:

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

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debtentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56 ..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
January 1956 ..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February ..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March ..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April ..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.9
May ..	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June ..	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July ..	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.6
Week Ending 14-7-1956 ..	377.3*	487.8	393.4	385.4	557.7	406.8*	91.2	100.5	85.5	124.7
21-7-1956 ..	382.3*	493.2*	394.9	386.0	560.8	409.9*	91.1	100.4	85.2	125.7
28-7-1956 ..	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.3
4-8-1956 ..	391.5	493.2	400.4	385.7	563.7	413.8	91.0	100.3	85.2	124.7
11-8-1956 ..	397.7	497.4	405.0	387.2	567.0	417.9	90.9	100.3	85.4	121.0
18-8-1956 ..	401.1	505.1	409.5	388.0	564.6	421.1	90.8	100.4	85.3	122.0
25-8-1956 ..	397.9	505.6	411.1	389.8	565.0	421.0	90.7	100.3	85.2	125.5
1-9-1956 ..	395.9	510.7	410.3	391.2	564.8	421.5	90.7	100.3	84.9	126.6

* Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Ahmedabad June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1940	298	203	243	182	339	471	146	309	168	136	134
1941	292	207	248	132	348	478	151	323	164	138	138
1942	298	213	257	133	348	484	153	325	165	135	138
1943	314	230	261	142	370	451	168	334	167	140	140
1944	321	237	250	142	351	441	150	330	151	154	141
1945	346	263	275	140	349	453	151	351	147	158	145
1946	342	259	244	138	327	408	139	351	148	146	138
1947	322	238	218	130	328	371	133	321	134	135	132
1955 October	315	331	225	134	334	385	134	323	139	139	134
November	314	330	229	136	339	392	138	327	144	141	135
December	316	332	230	140	329	393	143	334	148	141	136
January	318	334	226	139	319	404	146	334	147	138	133
February	321	337	224	137	315	394	142	333	146	132	133
March	334	350	230	139	325	398	145	340	148	142	138
April	342	358	239	140	338	409	—	354	—	—	142
May	341	357	236	141	342	408	—	356	—	—	143
June	342	358	240	141	350	419	—	365	—	—	148
July	338	354	244	144	365	436	—	369	—	—	—
August	—	—	—	147	—	—	—	372	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	14-9-1956			7-9-1956			31-8-1956			24-8-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	103-5	102-10	103-11	103-10	102-6	103-1	103-11	102-7	102-14	104-8	103-6	103-12
Silver (per 100 fine tolas)	174-15	171-14	172-15	174-12	172-4	173-10	172-9	170-13	171-12	73-5	171-11	172-4

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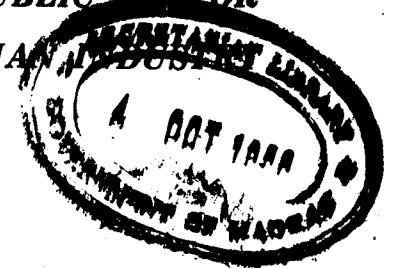
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IN INDIAN INDUSTRY



The

Eastern Economist

XXVII. NO. 13.

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India, China and Nepal

IE agreement signed last week at Kathmandu between China and Nepal provides an event in which India should be more interested than existing indications reveal. On the face of it, the

agreement has no ulterior or dangerous intentions. It is designed essentially to make the status of Nepal in Tibet entirely subsidiary as, indeed, have Indian interests there been now for a long time.

While Nepal, according to the agreement, may open trade agencies in Shigatse, Kyerong and Nyalam in exchange for reciprocal trade agencies to be opened by China in Nepal, the agreement involves a net loss of status to Nepal. For example, within six months Nepal will have to withdraw its military escorts stationed in Lhasa and other places in Tibet; all other privileges granted to Nepal in previous treaties and documents have now been abrogated. In particular, the retention of Nepalese nationality amongst "long" residents in Tibet has been abolished and trade terms, which previously were in Nepal's favour, are now, in fact as well as in words, reciprocal. At the same time, the free movement between Nepal and Tibet, also favourable to Nepal, has been abandoned. Customary traders of the two countries doing business, children and dependents would now have to possess passports and visas for crossing the other side of the border. The passport system would also apply to diplomatic personnel, officials and nationals of the two countries. Even entry through a third country should be qualified by possession of proper travel documents. Previously Nepalese residing in Tibet used to be governed by the laws of Nepal but now they would be governed by the laws and regulations of the country of residence.

The signing of this agreement is no more than an act of recognition of the power of the New China, which could not be expected to acquiesce in a subordinate position in these matters. While, therefore, the signing of the agreement is to be welcomed as providing what might be described as a change towards normal relations between the two countries, we in India need not treat this agreement as an entirely commonplace affair. For one thing, it installs Chinese Government representatives in more than one place in Nepal. It permits, without our knowledge, the crossing of a vital border which affects the security of India. It is conceivable, however improbable this may now look, that an agreement in action between Nepal and China adverse to the security of the Indian Union could be arranged under the terms of the present Sino-Nepal agreement. While, therefore, on the face of it there has been no injury to India contemplated, there is no doubt that the re-ordering of the relations between these two countries involves necessarily greater watchfulness of Indian security interests on the Sino-Nepal border.

It is not clear at the present time whether adequate arrangements have been made to protect Indian interests in this area, which are paramount in the same sense in which Chinese interests in Tibet are paramount for China's security. We have chosen in this respect, notwithstanding our stake in Nepal, never to assert suzerainty in anything like the manner that China has done in Tibet. Nepal continues to be an independent country with her King and her people free to adopt any course of action without Indian approval. One may well ask whether this strange legal situation accords with the realities of politics in this part of the world, any more than the anachronistic system by which Nepal had privileges in the heart of the new Chinese Empire. The answer, of course, is in the negative. The military defences of India are essentially geographical defences arranged by the massive and

friendly mountains which bar all invaders from the North. The fact that our technical sovereignty over these great mountains is broken for some hundreds of miles by the incursion of the friendly State of Nepal does not in any way abandon or destroy the paramount interest that India has in maintaining the integrity of every mile of ground on the Indian side of Himalayas. It is essential, therefore, that we should make clear that, while we welcome friendship between nations and in particular between our friends in the Peoples' Republic of China and our friends and allies in Nepal, we have a strategic interest in Nepal which cannot be abrogated by China and Nepal alone. India is a necessary third party to every Sino-Nepal agreement.

The patience with which the agreement was negotiated by China and the rapidity with which the Nepalese Prime Minister, Mr. Tanka Prasad Acharya, accepted the invitation to visit Peking, and his present activities as a guest of the Peoples' Republic of China have raised the question in India whether the Ministry of External Affairs has been fully informed of all developments, and has taken every precaution to see that India's vital interests are in no way infringed. It is right that we should afford to Nepal the freedom to accept technical assistance, aid and advice from the Peoples' Republic as well as from the Indian Union with no strings attached. We have much to learn ourselves from China as no doubt China has to learn from us. Nepal should be the beneficiary of the knowledge of both countries, though we should not allow ourselves to be surpassed in the volume of goodwill or assistance. We are, one hopes, not in competition with the Peoples' Republic of China in these matters. We are, however, firmly committed to a line of strategic thinking which makes the State of Nepal, as it has always been, essentially in the Indian, and not the Chinese, sphere of interest. All this means that the integrity of the Indian Union can never be allowed to be assailed by unfriendly acts in the adjoining State of Nepal.

It is right that we should make our own position clear in this matter. Basing our position on the doctrine of Panch Shila we cannot resist any agreement conceived in these terms. We can, however, question an act when it is proved that the major interests of the Indian Union are compromised by action in Nepal designed to infringe on our security and our existing privileges on this side of the Himalayas. It is sincerely to be hoped that the Ministry of External Affairs will assure the country that no more is involved in the current agreement than what the newspapers have published. We also need the assurance that the Chinese diplomacy, so flexible and so successful in Mr. Chou En-lai's hands, will not prove itself superior and more effective in this strategic State than our own. An early opportunity should be found by the Prime Minister to assure the country that he is fully possessed of the strong feelings in this matter entertained even by many people who believe sincerely that the Peoples' Republic of China does not now contemplate aggression. The serious border trouble between Burma and the Peoples' Republic shows that border problems can be a thorn in the side of countries wedded innocently to peace and Panch Shila.

Cloth in Politics

EVENTS in the last three weeks have shown that cloth may play a big part in Indian politics. In West Bengal the round of Puja shopping has been halted in its tracks both by shortage of supplies and by rising prices. The rise in price is, of course, the consequence of the shortage in supplies. And, therefore, one—not that this is the way that it is put by the Congress Party or by politicians in general—can lay the blame for existing discontent in this matter on the shortage of production. The Ambar Charkha has failed to deliver, and cloth production has been held back, in the main, by ideology. Meanwhile the demand is steadily rising; the annual gap between what is 'adequate' domestic supply and current supply might be of the order of 300 million yards. If this gap were distributed equally over space and time it might perhaps have been manageable. But everyone knows that the Puja and Diwali holidays are the major opportunities for cloth purchases. Everyone knows, too, that buying habits in West Bengal differ from elsewhere and purchases for practically the whole year take place in a matter of a month or two. The general problem takes on an acute and critical shape, which is very likely to transfer thousands of votes to the wrong political party.

The economic pundits, to whom the implementation of the second Five-Year Plan has been entrusted, are not unaware of the merits of all-round increases in production, especially in the context of a set accelerated pace in the development of the country's economy. Nevertheless, the need for more production in at least some spheres of economic activity has had to be dinned into the ears of the powers-that-be off and on, especially so in the past few weeks. Thus, in the case of textiles, until the unmanageable gap between production and consumption and the dire need for an immediate increase in production came compellingly to arrest their attention, it seemed they were content to let sleeping dogs lie. But the hardening of the price trend for a protracted period and the widespread fears of a cloth famine have fortunately served to spotlight a disease that was eating into the vitals of the industry. When the Government failed to take note of the actual state of affairs, or rather, preferred to sit tight, as it were, thus, it was time that at least the interests concerned joined hands and raised their voice of protest. This is what the two presidential speeches at the recent All-India Exporters' Association and the All-India Importers' Association, Bombay, on 19th and 20th September, did when they emphasised the need for "production and more production through all the channels available to our people".

Addressing the Exporters' Association, its President, Mr. Purshottamdas R. Ashar, contended that, as a result of the increased demand and high profits, made by mills, as he alleged, the prices quoted by mills to the exporters were not workable in foreign markets, which had, in turn, resulted in a diversion of cloth from exports to home consumption. It is relevant to point out here that the Government of India was fully seized of this aspect, as was evidenced by Mr. T. T. Krishnamachari's observations in the course of his reply to criticisms against the increase in excise duties, when he stated that the measure was

taken, among other things, to prevent exportable cloth from being consumed internally. The note circulated by the Finance Ministry supplementing T. T. K.'s speech on "Supply and Price Trend of Cloth" admitted that this has, in fact, been happening. It may be problematic how far the imposition of an excise duty would help procurement of textiles for export at competitive prices, although actual exports are exempt from the mischief of the excise duty. For, as long as there is a wide gap between production and consumption, no amount of excise duty would help ease the situation appreciably. Over and above this, the price factor would also prove to be a thorn in the Government's flesh. It is true that some responsible mill bodies have come out with an offer to share the greater part of the burden that would otherwise accrue to the consumer of cloth as a result of the additional excise levy. But where is the guarantee that the steadily rising price trend that has been the characteristic of the piecegoods market in Bombay and Ahmedabad since last Diwali will be reversed? If prices refuse to be coaxed into assuming a reasonable trend thus, it is obvious we are precisely where we started before the imposition of the increased levy, and the unhappy status quo in regard to the export of textiles would continue. Touching on this aspect of India's cotton textile exports, the A.I.E.A. President observed: "I am afraid that the increase in excise duty will ultimately pass on to the voiceless consumer. If, on the other hand, more mills are permitted to start third shift with a condition that this extra production must be reserved for exports only, that might serve our purpose to some extent".

If there is a scarcity of cloth supplies *vis-à-vis* demand, the only answer, which also has the advantage of simplicity and directness, is increased production. In this connection, Mr. Ashar referred to what Mr. Nehru stated in Parliament recently whilst speaking on the second Five-Year Plan. Mr. Nehru then said that it was a wrong policy to prevent mills from producing more, just to help the handloom industry. When the whole world is following the most efficient and up-to-date techniques in production, India cannot lag behind, he declared. The result of restricting mill production will create a shortage of cloth in the country as well as for export purposes. As Mr. Ashar pointed out, by increasing the excise on mill-made cloth, Government has only further tightened its restrictive policy so as to help the handlooms. Even this, however, does not matter, if other restrictions are relaxed. Presumably, the mills or rather the mills plus dealers can take it. Let the taxation of good profit-makers be accepted; inevitably it must. Where else can one in a socialistic pattern tax? But let not production be paralysed by restrictions other than taxation; and let us note not all mills are equally placed financially; the excise thus operates harmfully.

If restriction on imports is fraught with the danger of 'near-famine' conditions, the prospects of restriction on production are much less inviting. While some checks may be necessary in respect of the former, especially when India's payments position is not quite happy, curbs

on the latter, at just such a time when increased production would mean a larger volume of exports and, consequently, the easing of the payments headache, are certainly unwarranted. In the case of cloth, there is a greater danger still; this is that political discontent will grow on the shortage and high price of a clear necessity. That this should happen at

Puja time in Bengal has made things worse. And the Leftist parties, bent on political advantage, have staged a hartal in Calcutta this week to drive the point home. But it really needs no driving. *Cela ca voit*, as the French say; it makes itself obvious. Why does not the Government of India, the Congress Party and particularly Mr. Gulzarilal Nanda see what they have been doing?

FAO: About Turn?

IT is a near-truism that agriculture does not generally lend itself to spectacular expansion in the short run. Even a whole decade is, by no means, a long period for this primary industry as a constant seasonal factor cannot be taken for granted from year to year. The rate of expansion in this sector tends, therefore, to be lower and less assured than the rate of industrial growth. That in spite of the energetic adoption of economic, social and technical measures in the last ten years world agriculture could register an increase of only 20 per cent on its 1934-38 level of production, brings into bold relief the phenomenal industrial development of the post-war period. This fact is a challenge to the diligence and resourcefulness of the Food and Agriculture Organisation of the United Nations and of the member-governments.

The challenge, it is true, has been there since the close of the Second World War, and the FAO and its member-countries have faced it confidently though not very successfully for obvious reasons. Some of the facts bearing on the state of food and agriculture in the world at the very beginning of its second post-war decade—as revealed by the FAO itself—are disquieting indeed. In a world wherein even before the war a little more than half the people did not have enough food to maintain normal health and about a sixth were on the border-line, per capita agricultural production at the present time is about the same as the pre-war average. In Latin America and the Far East per capita food production is still some 5 to 10 per cent less than before the war. In the entire under-developed economic region of the eastern hemisphere per capita production has virtually remained unchanged in the last few years at about 10 per cent less than the 1934-38 level. The calorie and protein content of per capita food supplies in the region is still ranging from 55 to 60 per cent of the average in advanced countries. From China to Peru the less developed countries still present a more or less identical pattern.

The picture, dismal as it is, would not be complete without some more relevant facts. One such fact is that whereas agricultural production is rather slowly returning to the 1939 level, world population is 20 per cent above that of the 1939 figure. The agricultural surpluses that have accumulated in certain countries like Canada and the United States indicate world under-consumption and not world over-production. World trade in agricultural products is still only 5 per cent above the 1934-38 level, in contrast to a 70 per cent rise in the volume of trade as a whole. Farm and international prices have, therefore, fallen but without any appreciable effect on retail food prices. As the prices of important input items have risen sharply in all countries and as marketing

margins also appear to have generally increased, reduction of production and marketing costs is indicated as necessary to bring more and better food within reach of the poorer consumers. On the other hand, farm incomes have to be maintained (to arrest the deteriorating position of the farm population) by increasing the volume of production sufficiently to offset the adverse price movement. The chief need, therefore, in the less developed parts of the world in particular is to plan for a continued expansion of agricultural production. Many countries in the Far East are thus shifting the emphasis in their long-term development projects towards agriculture. Although India, for her part, is to devote to agriculture only 12 per cent of her second Plan outlay as against the 15 per cent of her first Plan outlay, the targeted expenditure, in absolute terms, is a little more than 1½ times the amount under the first Plan.

That agriculture, therefore, continues to be the Achilles' heel of all under-developed economies is quite evident. If these countries which are members of the FAO now look forward to a redoubling of the efforts of that organisation in the matter of pooling practical farming knowledge, of making technical assistance available to national programmes for agricultural and fisheries development and thereby of serving as catalytic agents to increase agricultural productivity, their expectation would be eminently reasonable. Although under-developed countries have up till now received a distinctly larger share of FAO's attention under its comprehensive technical assistance programme, the election of India's B. R. Sen, largely with their vote, to the post of Director-General of that organisation reflects their keen desire to have still greater assistance.

It is a matter of pride to India that she has contributed one of her most talented administrators to an international organisation. Mr. B. R. Sen brings to his new task a wealth of experience in the field of food and agriculture. As Famine Commissioner in 1943, he had directed relief operations in the Bengal Famine. In the period 1943-46 as Director-General, Food, he had directed the country-wide operations in collection, storage, distribution and rationing of food grains. He had also served as Secretary of the Food and the Agriculture Departments in 1946 and 1948 respectively and represented India at three of the sessions of the FAO conference. His experience should stand him in good stead in giving a new look to FAO's activities. Of course FAO is largely advisory. In agriculture more than elsewhere, it is the man in the field that counts. But the ideas which can now be broadcast with his seed are fortunately multiplying. It is fondly believed FAO has the ideas. The soil here is better prepared than ever before; let FAO's seed be carefully selected to our urgent needs.

THE WEEK'S NOTES

CONGRESS, P.-S.P. & COMMUNISTS

EVEN AS the advent of Diwali is heralded by the lighting of crackers, the coming election campaign in India is just preceded by the first shot fired by Mr. Nehru, the ace election-winner. The first shot, of course, is a typical Nehru-thrust at the miserable opposition parties whose talk of joint fronts against the Congress could not fail to excite his abundant sense of humour. "Ten lame men cannot make one perfect man", says Mr. Nehru to provoke ready laughter in you and me and, possibly, to supply a theme for a light cartoon. Humour apart, the punch is not without its element of truth and irony. The truth is that the two major opposition parties—the Praja-Socialists and the Communists—are now moving on crutches. But the irony is that both have been rendered lame by Mr. Nehru himself. By stealing the Socialist thunder of the P.-S.P. and going 'all-out' for a 'Socialist structure of society', or a 'co-operative Socialist commonwealth', or whatever else it may be, he has split the ranks of the only left-wing party that could have developed into a genuinely democratic opposition. By befriending Soviet Russia and Communist China, he has blocked the Indian Reds from drawing their spiritual elixir from the Socialist heavens beyond India's borders. Well may the Prime Minister chuckle!

The chuckle—by no means innocent—should dismay the two left-wing parties on crutches. Each needs the other more desperately than ever, but the P.-S.P. woos the C.P.I. with its usual suspicion (in no way allayed by the de-Stalinisation stunt) while the latter woos the former with the mental reservations common to Communists participating in united fronts. The Praja-Socialists, therefore, may go only as far as a strictly limited electoral arrangement with the Communists so as to avoid triangular contests, but the latter currently expects a joint front with the former on the basis of a minimum programme. In Mr. Asoka Mehta's eyes, the Communist leopard has not changed its skin in spite of so-called de-Stalinisation. There is every reason to believe that "the emphasis on the vanguard role of Communists, on the destruction of democracy on the morrow of victory and the unalterable allegiance to the Soviet-style economic and political developments remained firm". Mr. A. K. Gopalan retorts that the minimum platform is not meant for capturing power at the Centre but only for forming united front governments in some States—governments which would not be in a position to act contrary to the Constitution. The disarming naivete of this retort is, however, not likely to convince the Praja-Socialists who are not such simpletons as to believe that United Front Governments even in a couple of States could not take the country to a state approaching civil war. In the circumstances the only probability is that of a limited adjustment of seats to be contested. Perhaps the C.P.I. itself does not really look forward to any thing more.

PROBE INTO DEFENCE EXPENDITURE

THE NINETEENTH report of the Public Accounts Committee throws a flood of light on the appropriation accounts of the defence services for 1953-54. Some of the conclusions reached by the Committee should bear repetition. There is, for example, the finding that savings ranging from 8 to 10 per cent in the sanctioned grants have become a regular feature of the Defence Grants since 1949-50. The lapses of appropriations which are indicative of defective preparation of Defence Estimates continued in the Accounts for 1953-54. Such

lapses of funds have immobilised large sums of money which could have been utilised for more beneficial purposes by the Government. Effective action by the Ministry of Defence in consultation with the Ministry of Finance (Defence) is, therefore, necessary to evolve a better mechanism for budgetary control. Here the Committee also makes a general observation that the tendency on the part of spending Ministries and Departments to over-estimate and pad their needs for securing a safe margin shows not only a lack of planning on their part but is also detrimental to the effective implementation of the Five-Year Plan. Another unhealthy practice to which the Committee draws pointed attention is the undue rush of expenditure during the last month of the year, the expenditure in the last month being nearly three times the monthly average of the first eleven months of the year. A better course would be to spread out payments evenly throughout the year by meeting the liabilities as and when they arise, as payments made in haste at the end of the year might well lead to over-payments, errors and relaxation of prescribed checks.

The Public Accounts Committee has also brought to light a whole series of irregularities obtaining in the sphere of defence expenditure. Any deviation from the prescribed procedure of issuing technical sanction before the commencement of a work is a serious irregularity. Such a kind of irregularity was clearly in evidence in respect of 76 contracts, costing Rs. 45 lakhs, which were concluded during 1953-54. In their case tenders had been issued before technical sanctions had been accorded to the works. The time-lag in some cases between the date of administrative approval and the date of technical sanction ranged between 6 and 30 months. The Committee is strongly of the view that the issue of technical sanctions after the commencement of the works does not rectify the original irregularity. The irregularity of debiting the estimate of sanctioned works with the cost of stores procured in advance in respect of unsanctioned works, has come in for severe criticism at the hands of the Committee. Such expedients, says the Committee, lead to fictitious adjustments in the accounts of works and, if allowed to go unnoticed, would throw out of gear the mechanism of control over works expenditure. The irregularities, financial and otherwise, mentioned here are, by no means, exhaustive. They are only illustrative of a state of affairs which calls for vigilance and possible correction. Where there is an active body of opinion which demands drastic pruning of defence expenditure as a whole in disregard of national security requirements, any irregularity or inefficiency in this vital sector would only strengthen the case for a cut in defence outlays.

WORLD TRADE IN PRIMARY PRODUCTS

THE LATEST FAO survey of the state of food and agriculture records that world trade in agricultural products in 1955-56 was still only 5 per cent above the 1934-38 level, in contrast to a 70 per cent rise in the volume of world trade as a whole. A number of factors have emerged which tend to limit trade in agricultural products, notably post-war efforts in many countries to attain a greater degree of self-sufficiency, and the substitution of synthetic for natural raw materials. These findings are also indirectly corroborated by some conclusions of the latest annual report of the International Monetary Fund. The I.M.F. report records that the extraordinary rate of growth of

industrial production since 1954 in the United States and western Europe has now begun to slow down. This trend is likely to affect the primary producing countries which rely, to a greater or lesser extent, on earnings from exports of raw materials. In the circumstances the FAO forecast that, broadly speaking, prices of agricultural raw materials will decrease to some extent in 1956-57, is probably accurate. That this will upset, to some extent, the development plans in some countries including India, may have to be taken into account. Although the IMF report says that India is not highly dependent on foreign trade for her planned development, she is not wholly invulnerable to price declines in the world markets for primary products.

ECONOMIC SITUATION IN PAKISTAN

THE ECONOMIC picture of Pakistan emerging from the recent speech of the Governor of that country's State Bank is encouraging indeed. With the index of production rising from 285 in 1954 to 350 in 1955, the progress registered in the industrial sector was particularly striking. In the year (1955-56) under review the economy reached the stage of self-sufficiency in respect of several consumer goods. The internal prices of both cotton and jute were higher than in recent years, while at the same time substantial export capacity was developed in cotton textiles and jute manufactures. The country's resources of gold, dollar and sterling recorded an increase of about \$83 million during the year and stood at a total of \$293 million at the close of June, 1956. This improvement was the result mainly of a rise in foreign exchange earnings especially on account of increased exports of jute and jute manufactures. This expansion in the industrial and foreign trade sectors of the economy was reflected in expanding monetary and banking trends inside the country. While bank credit to the private sector recorded a net increase of only Rs. 3 crores, bank deposits rose by about Rs. 21 crores and money supply by Rs. 61 crores. The increase in money supply was largely due to a substantial balance of payments surplus. But this favourable balance may not continue at the same rate in the current year on account of two factors—namely, continuing uncertainty in the international cotton market and increasing foreign exchange expenditure on food grain imports necessitated by widespread damage to standing crops.

It is noteworthy that within a year of devaluation of her currency Pakistan has more than countered the bearish outlook of her jute and cotton markets, with resultant gains for the country's agriculturists. The effect of devaluation in the export sector has been even more striking, for it has lowered the prices of Pakistan's export commodities in terms of foreign currencies. The rupee prices, of course, have tended to go up and export duties on major commodities have also been increased. But, as the rise in most cases has not been proportionate to the change in the exchange rate, all major export commodities have become cheaper in the foreign markets. Devaluation, however, has inevitably led to an expansion in money supply with consequent inflationary pressures. But the State Bank is not in favour of raising the Bank Rate from its present 3 per cent to curb effective demand, for the increase in the level of money demand has not been the result of excessive credit creation but the result of the balance of payments surplus and the large government outlay. In any case it is contended that ability of the Bank Rate to produce the desired effect on interest rates is limited in the absence of a developed short-term money market and an extensive chain of commercial banks. What is more, a rise in the bank rate, to the extent

it affects domestic investment activity, can only slow down the rate of development in the private sector. The State Bank, therefore, has been following a policy of moderate expansion of credit facilities. In view of the limited scope of monetary measures, anti-inflationary taxation would have to be depended upon to reduce disposable incomes and mobilise funds for financing economic development under the Five-Year Plan now before Pakistan.

COMING FREEDOM FOR GHANA

THE UK Government's announcement of independence within the Commonwealth for Gold Coast from March 6 next year promises to be the beginning of a new era in that colony in West Africa. The decision follows the approval, by 72 of the 104 members of the colony's Legislative Assembly, of a motion asking for early independence. Opposition members did not attend the debate and there was not a single dissentient voice to mar the momentousness of the occasion. Britain has been deservedly congratulated for this far-sighted move which gains added significance at a time when her stock in Asia and Africa stands substantially depreciated over the Cyprus and the Suez issues. It also infuses hope in other dependent territories, like Nigeria, to achieve self-government in course of time. Ghana, as the new State is to be called, may, for its part, become fully conscious of the great responsibility that falls on it as the torch-bearer of freedom for itself as well as for the African continent. In the wider interests, Ghana cannot afford to do something which may cause others to judge it unfavourably. Happily, the ruling party as well as the opposition seem to be alive to the responsibility inasmuch as the Premier, Dr. Kwame Nkrumah, won the opposition support in the Assembly recently when he promised to give "ample opportunity to debate and determine our Constitution."

The future constitution of the colony has caused serious and even violent controversies in the past between the Convention People's Party, now in power, and Dr. Busia's National Liberation Movement, in the opposition. While the former party stands for a unitary form of government, the latter has been fighting for a federal constitution and it even attempted to block the country's freedom over the issue. The recent elections held throughout in absolute freedom, have, however, shown that a large majority opt for the unitary system, though election results in certain regions, particularly the North, may seem to show that there still exists support for a federal form of government. To say this does not imply that a case can be made out for the extreme and foolish step of partitioning the country into small 'sovereign' States as was actually threatened by the opposition. It is good that the Government has declared its willingness to discuss constitutional questions with representatives of the opposition outside the House before the debate so as to make it possible to arrive at some agreement. Dr. Nkrumah has already declared that the Government believes that cultural traditions can best be preserved and practical questions discussed at the regional level. It is prepared for a measure of devolution of powers from the Central Government to the regions. Under the circumstances, it is not entirely unlikely that the two parties will be able to find common ground and formulate a Constitution acceptable to all. The other possibility of the continuance of a rift between them will be disastrous for the 4.5 million inhabitants of this predominantly agricultural country. Only a long period of stability and peace can ensure the success of economic policies and development projects like the Volta project.

A Window on the World

NEW DANGERS TO INDIA'S UNITY

By
ODYSSEUS

THIS WAS THE TITLE of an important article by Mr. Mehr Chand Mahajan in the Independence Day Supplement of the "Hindustan Times". Mr. Mahajan's views provoked widespread comment and an interesting correspondence in the "Hindustan Times". Let us run quickly over Mr. Mahajan's calm, moderately stated, factual analysis of India's Present Discontents.

Mr. Mahajan begins by asking what the history of the past nine years of provincial autonomy teaches us. With a few honourable exceptions, the lesson is sad. If the Centre had not had leaders of high calibre who have devoted time, better spent on other problems, to settling intrigues in provincial ministries, Mr. Mahajan understandably "shudders to think" what would have happened to the Union. He instances his own province, the Punjab, whose first Ministry was sabotaged by a group of politicians. The differences were not on principles but on personalities and the exercise of power. The second cabinet lasted six months. The third was torpedoed by another group. No mediation from Delhi could prevent the collapse of a fourth from internal intrigue. Most of the Ministers' time during these nine years, says Mr. Mahajan, was spent on the road between Simla, Chandigarh, and Delhi. Instead of getting on with public affairs, Ministers, apprehensive of sabotage, were busy winning supporters through jobs for their relations and friends. In Mr. Mahajan's view, the Punjab enjoyed stability only when the Governor, Mr. Chandulal Trivedi, took over. Officials then were preserved from ministerial interference and indecision; the public got a fair deal; all communities were content.

In PEPSU, and in Rajasthan, Mr. Mahajan asserts that provincial autonomy has been a failure, and he has similar gloomy reports to make on other states. There is no need to recount their stories in detail. The facts are public. And, of course, apart from intrigue in established provinces, there is the threat of further divisions through the creation of linguistic states, and the rivalries of communities, such as Maratha and Gujarati, Hindu and Sikh.

ABOLISH PROVINCIAL AUTONOMY

Mr. Mahajan makes five recommendations: (1) Abolish provincial autonomy and inaugurate a unitary democracy with one Central Ministry. (2) If this be dismissed as outside practical politics, the emergency powers conferred on provincial governors by the Government of India Act of 1935 should be restored. Governors should be entitled to inaugurate governor's rule when the situation justifies it in their view. This would not in fact be going back to the 1935 Act under which the governor's powers of intervention were limited to certain clearly defined threats of breakdown. Mr. Mahajan thinks that a governor should be able to choose his own Ministry and that he would be justified in refusing to accept a popularly elected leader as a Minister if he were "illiterate, or half educated". This leaves the 1935 Act far behind. (3) Important civil services should be centralised and at least 50 per cent of those serving in one state should originate in another. Mr. Mahajan argues that this would eliminate provincialism, check corruption and nepotism. "At present",

he says, "civil servants are liable to local communal, caste, and Ministerial influences." State patronage should be abolished and Public Service Commissions, appointed by the President should be common to several states. (4) Half of all High Court judges in any state should be appointed from other states. There should be one cadre for all the High Courts; appointments should be made by the President, not by the provincial Ministers. (5) Mr. Mahajan argues that adult franchise in a country in which 80 per cent are illiterate, in which caste, communal, religious, and other influences are deep-rooted, may lead to mob rule and chaos. He urges that indirect election to the state and central legislatures should be substituted.

Mr. Mahajan's argument for a single all-India government has much to be said for it, although it could prove unwieldy and tend to be so remote from local affairs as to arouse discontent at their neglect, real or fancied. Perhaps there is a stronger case for four or five large multilingual states.

To fervent democrats, the weakness of Mr. Mahajan's second suggestion is that frequent recourse to governor's rule would kill democracy. Self-government contains the seeds of self-education and progress through responsibility. Good government, by no matter how benevolent a despot, does not. And whereas persistence in the principle of democracy has solved many of the problems of governments in Commonwealth countries, no despotism has ever discovered how to ensure an unending supply of good despots. (Bad despots, of course, have been two for an anna throughout history).

That the civil services and High Court judges should belong to interchangeable all-India cadres should help to promote unity. I suggest, however, that of itself it could not end corruption or local influences. Where there is a corrupt will, there is always a corrupt way.

WHO IS TO BLAME?

The abolition of adult franchise is more controversial. Experience in the USA suggests that indirect means of election widen the opportunities for corruption and sordid behind-the-scenes deals. I would prefer to reduce the vast numbers of the electorate by introducing minimum educational, property, or public service qualifications.

But stimulating as all Mr. Mahajan's suggestions are, fundamentally they treat symptoms rather than causes. While admittedly some systems are better than others, the best system in the world will not work if the human beings in charge of it lack social co-operation and leadership. The US system of government, with its divided responsibilities between Congress and the Administration, its fantastic bear-garden party Conventions, its political "spoils" system for jobs, and its popular elections of judges, is indefensible outside the pages of "Alice in Wonderland". But it works. This is because the mass of Americans are lost in goggle-eyed admiration of it, are loyal to it, and have

sufficient qualities of citizenship to make it work. As a system, our Constitution is wiser and more logical than the American. If, then, it does not work, the blame must be on us.

That many people agree that it is the men, rather than the system, who are at fault is borne out by the reiterated appeals from national leaders for higher ideals of conduct and public morality, greater loyalty to the motherland, and more selfless patriotism. That these exhortations seem to have little effect must surely be because they are directed at adults whose characters are crystallised.

The foundations of character are laid in childhood, school, and university. Then are instilled the ideals, the self-respect, the capacity for leadership, and the aptitude for social co-operation that we discussed last week. Exhortations cannot evoke more than lies within a formed adult character. That does not mean that exhortations are useless—the world would come to a stop if all men were wholly devoid of social instincts, incapable of response to appeals. It does, however, mean that our leaders should be looking as much to the future as to the present, asking whether our schools are equipped to instil the highest ideals of social co-operation and leadership.

The obvious proof of the failure of our educational system as a whole to train citizens capable of making our democratic system work efficiently, stamping out nepotism and corruption, of minimising political intrigues and promoting solidarity, are the outbreaks of hooliganism that are characteristic of our educational institutions and of which, it is sobering to reflect, only the more spectacular are reported in the press. For the reasons explained in "Fear and Punishment" published here on September 14, I disagree with those

who rebuke these rebellious students. I argued that, to modern psychologists, it is axiomatic that the average man is anxious to give the best that is in him if he is allowed to, and that therefore if he persists in bad ways, the intelligent employer will search for hidden causes, which may include bad conditions of work, faulty training, failure to arouse the worker's interest and co-operation, personal anxieties at home or in the factory. These principles are not confined to the factory but are of universal application.

If one or more of the fundamental factors conditioning the mental attitudes of employees are faulty, no amount of revision of the organisation of the work can secure appreciably greater output. Likewise, if some of the fundamental factors conditioning the mental attitudes of the citizens of a state are such as to lower the level of social co-operation, to diminish the capacity to respond to leadership, and to impede the full development of leaders, modification of the system of government and administration cannot achieve any startling improvement. If this be conceded, it becomes all-important to ensure that the weakness is attacked at the heart—in the schools and colleges—so that the flow into the arteries of the body politic may gradually contain a larger and larger proportion of men and women adequately equipped for the responsibilities of citizenship in a democracy—that most difficult of all forms of government.

In a final article next week, we shall reflect over the causes of indiscipline in our schools and universities, and the relationship between, on the one hand, happy, well-cared for students, boys and girls, and, on the other, a strongly knit nation of socially co-operative citizens.

NASSER AND THE NORTH AFRICANS

(From Our Special West European Correspondent)

PARIS, September 22.

THE meeting between the Sultan of Morocco and Mr. Habib Bourguiba, Premier of Tunisia, in Tunis next month will be an important event for these two newly independent countries. Only lately and gradually liberated from the status of French protectorates, and still faced with considerable internal difficulties, Morocco and Tunisia are beginning to develop a diplomacy and a foreign policy, and naturally they begin with each other: the voyage of Mohammed the Fifth to Tunis will be the first major international conference either country has attended outside their connections with France. It has been preceded by a series of conventional gestures toward other quarters: friendly but strictly formal exchanges with the Arab powers of the Middle East, approaches to the United Nations, and the initiation of relations with major world powers, notably the United States. But those were merely the formalities attaching to the acquisition of independence; the serious work of elaborating a foreign policy is yet to begin. For observers who do not follow North African affairs closely, and especially for observers in Asia and America, the further course of Moroccan and Tunisian foreign policies might contain some surprises.

A widespread but quite mistaken expectation is that these two countries will henceforward line up solidly with the other Islamic nations of the Middle East, will probably join the Arab League, will certainly become enthusiastic exponents of Bandung neutralism and will show great coolness to the former occupying power, France, and great suspicion of such Western alliances as NATO. None of these things can be taken as assured. Indeed, it can be asserted that the ruling groups of Morocco and Tunisia would prefer, on all these points, to follow a very different policy. And if they do not, it will be because the continuance of the war in Algeria obliges them, very reluctantly, to make a show of anti-Western feeling which they would in happier circumstance avoid. To put the position in a nutshell, the present leaders of Morocco and Tunisia are more suspicious and distrustful of Colonel Nasser's Egypt than they are of France, but they will find it difficult to express this natural preference in a firm foreign policy as long as France can plausibly be represented as the oppressor of Islam and Nasser as Islam's champion.

A settlement in Algeria is beyond doubt the dearest wish of the moderates who are now in power in Morocco and Tunisia. A settlement—not necessarily a capitulation or withdrawal by the French, though of course their idea of the basis of a stable settlement is more liberal than anything so far envisaged in Paris. They are not committed to the extreme solutions proposed by the Algerian terrorists and have no doctrinaire wish to see a resounding defeat inflicted on the "imperialist" power. Their approach to this question is considerably more subtle than the crude anti-colonialist decline-of-the-West philosophy popular further east. Their first desire is for genuine peace in Algeria, on terms sufficiently acceptable to all parties to guarantee stability throughout North Africa for a long period ahead, because they realise that stability in North Africa is essential for the success of their own moderate policies in economic and foreign affairs. They have naturally great sympathy with their community in Algeria, and this by itself would be enough to make them hope for an end to the bloody war of terrorists and pacifiers. But they also have equally pressing reasons based on considerations of domestic politics.

The first of these is that co-operation between France and North Africa cannot develop fully until the war in Algeria is over, and the moderate regimes in Tunis and Rabat urgently need the full measure of that co-operation to implement their domestic policies. Quite apart from technical, cultural and administrative co-operation with France, Morocco and Tunisia badly need money that only France can supply. Neither country can comfortably balance its revenue budget, nor frame a capital budget, nor balance its external accounts without French help—and every franc that goes up in smoke in Algeria is a franc that might have gone to assist Algeria's neighbours as well as Algeria herself.

Secondly, the war in Algeria makes it necessary for French troops to guard the borders with Morocco and Tunisia and to maintain some forces within those countries. Apart from the "incidents" to which this necessity inevitably gives rise, the nationalist leaders in Tunis and Rabat find it difficult to present their regimes as totally independent as long as this French military force is so obvious and widespread. Quietude in Algeria, which would permit a reduction or gradual disappearance of the French garrison in North Africa, would consolidate the moderate regimes of Morocco and Tunisia not only internationally but in the eyes of their own peoples.

Thirdly, and this is perhaps the most important consideration, an end to violence in Algeria would put the Moroccan and Tunisian extremists out of business—and these extremists are the worst enemies of moderate politicians like Mohammed V and Mr. Bourguiba. An exact parallel is hard to find, but imagine what would be the position of Mr. Nehru's Congress Government today if Burma and Ceylon were still fighting violently for freedom from the British and the Indian Communists were the most ardent supporters of Burmese and Ceylonese terrorists. Plainly, in such circumstances, within India itself moderate policies in any and every field would be exposed to constant attack from the wild men, moderation could plausibly be represented as collaboration, and foreign policy would be under continual pressure toward the extreme Left. This is roughly the situation of the Sultan and Mr. Bourguiba today. They need peace in Algeria for the stability of their own governments, and they need not a defeat of the French so much as a settlement that will enable them to co-operate with France with a clear conscience.

And this is where Colonel Nasser comes into the picture. His interest in the Algerian conflict is quite different. Though he may have very sincere hopes of future co-operation with the United States, he has none with regard to France. He is backing the most extreme forces in Algeria and would like to see not only a French defeat there, but an abrupt end to all French influence throughout North Africa. These extreme ambitions perhaps find some measure of unavowed sympathy in the United States, but they find none in Tunis or Rabat where it is very much hoped that French influence will be transformed but not discontinued. By supporting the most extreme forces in Algeria, Colonel Nasser is indirectly opposing the moderate regimes in Morocco and Tunisia who believe, furthermore, that Egyptian policy in this regard is not disinterested but aimed at replacing French hegemony by Egyptian.

But the opposition is not merely indirect, through Algeria. Within Morocco and Tunisia themselves, the

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ultras who challenge the moderates now in power are drawing direct aid and sympathy from Cairo. Mr. Bourguiba, for example, cannot forget that until very lately Cairo described him as a traitor because he negotiated independence with the French, and that his main political enemy, Salah ben Youssef, has his base in Cairo to this day. Whatever general friendliness Tunis and Rabat have to express for Egypt when they discuss international affairs, they are well aware that in terms of internal politics the most serious threat to their existence is nourished from Cairo.

Hostility to Egypt has, however, deeper roots than this in Morocco and Tunisia. Though Islamic nations who seek to have close connections with the Arab powers of the Middle East, these two countries are resolutely turned toward the West of which, they feel, they are an integral part. The Muslim community of the three North African territories is called in Arabic the "Maghreb" which means the West and is held to have important cultural differences with the rest of Islam. The Egyptian pretension to being the mentor or big brother of all Muslim countries is much resented in North Africa, especially because the North Africans, for all their difficulties, feel themselves culturally and economically more advanced than Egypt. The leaders of Morocco and Tunisia are no Kemal Ataturks and are not willing to sacrifice their religion on the altar of Western progress, but they make no bones about the fact that for them the religious fanaticism of Cairo represents the Middle Ages, to which they have no intention of returning.

Mr. Bourguiba and other North African revolutionaries have spent much time in Cairo in the past, and they have a quite unfattering opinion of the country as compared with their own. To quote the most recent example: a senior Tunisian official in the Information Ministry, Sassi Rejeb, wrote this month in the official Neo-Destourian paper, "Action", his impressions of a recent stay in Egypt, which included highly critical comments on the relative poverty and ignorance of the Egyptian people and expressed particular resentment of the "vague, sentimental and general" pan-Arabism "which confuses Algeria with Kuwait, and

Tunisia with Amman". Considering how often Radio Cairo has described Tunisia and Morocco as French puppet states, the Egyptian leaders would be shocked at Sassi Rejeb's condescending conclusion: "I sincerely hope for the sake of our Egyptian brothers that in the years to come their regime will be able to get beyond the stage of a military dictatorship in order to put through the genuine economic and social revolution that is necessary".

This explains why relations between Egypt and the independent North African states have so far remained at the level of mere diplomatic formality. Mr. Bourguiba has declined an invitation to go to Cairo, and there is no doubt that the forthcoming meeting between him and the Sultan is intended to replace the meetings Colonel Nasser had hoped to have separately with each of these leaders. Moroccan and Tunisian comments on the Suez dispute have been notably prudent and it is an open secret that, while totally opposed to any use of force against Nasser, both Tunis and Rabat would not be dismayed to see Egypt's star quietly eclipsed. They dread equally Nasser's martyrdom and Nasser's victory, for both would have the effect of pushing their public opinions into a position of support for a regime they dislike.

The moderate, progressive, pro-Western leadership that is now in power in North Africa, and which will be symbolised by next month's meeting, is not by any stretch of the imagination a collection of French puppets, Beni Oui-Ouis or Bao Dais. The French are finding and will continue to find in Habib Bourguiba and Mohammed V determined defenders of complete national sovereignty and rigid opponents of imperialism. These men are the friends of France only as long as they are accepted as independent equals, and they will not even then be firm friends until the war in Algeria is stopped. It is because they want to guarantee independent progress in their own countries that they are seeking to redefine their connections with France. And it is for the same reason precisely that they seek to keep Colonel Nasser at a long arm's length.

A DELHI DIARY

THE ABNORMAL NORMAL

I AM echoing what is now reverently described as 'public opinion' when I state that the first issue of the week in everyone's mind has been — the drop in the temperature! After a week, cheerfully admitted by all to have been the worst week of September in living memory (this is an indeterminate span of control) the gentle rain, which continues today to cool and comfort the capital city, has been prized above everything else. I quote today's Weather Report. "Maximum temperature in Delhi, Safdarjung was 92.5° (normal). We are living in such climatically abnormal times that one paper chose to print 'normal' in heavy type. I follow an illustrious example.

NOT BANDUNG, BUT SUEZ

The Prime Minister's trip to Saudi Arabia — short and sweet — was not expected to change the face of the desert or anything else. If the Suez Canal dispute had not risen tactfully so as to add a live topic to many drooping ones, the joint communique would have had a wholly Bandung touch which, as we are now frequently reminded, is more than a year old. Not a few people in Delhi are glad that what is called a 'common outlook' on Suez has been added to the 'common outlook' which India and Saudi Arabia seem to have on many other things. On gifts, however, I expect there will be a permanent difference of opinion. Saudi Arabia seems still to like Cadillacs, while we with a socialistic pattern are now moving in the opposite direction. I am hoping, however, that since air conditioners were treated as appropriate gifts for Saudi Arabia, they will not be considered unduly austere for ourselves. When Prohibition comes — and there has been an attempt to produce what is called a good climate for it through Prohibition Week in Delhi — one hopes to have one luxury left. Since Cadillacs and Alcohol are excluded, can one dare to hope for room for air conditioners in a truly socialistic pattern of society?

PANDITJI—NOT A HAJI

The Prime Minister's return from Saudi Arabia was another joyous occasion. Good 'following' winds brought in the Raj Hans, the Prime Minister's plane, three-quarters of an hour before time. The Diplomatic Corps was not found unequal to the occasion but (alas!) many of us less nimble and swift of foot were late in arriving at the airport. Most of what I have to say is therefore pure hearsay and cannot be quoted in evidence in a judicial proceeding. The new Pakistan High Commissioner got in early with a remark "So, sir, you have become a Hajji. I was a little uncertain about details on this matter because I was not sure that the Holy City of Mecca had been in the Prime Minister's tour. My information suggests that the Prime Minister does not qualify. The newsmen have found the Prime Minister reticent about Suez. I have not been able to understand the remark that "I had been cut off from all news. I saw newspapers only today in Jamnagar". Does Saudi Arabia not get news by radio and has it no English newspapers of any kind? Here, it seems, is a good opportunity for Indian exports — both of newspapers and radio sets. Will our enterprising private sector in both fields rise equal to the occasion? Since after all the public sector cannot be excluded, is there not room for technical co-operation

agreement with Saudi Arabia on what it is now fashionable to call Government-to-Government level?

PERAMBULATORY DISCONTENT

Returning this week from an area which with great tolerance permits Cadillacs, Air-Conditioners and Alcohol — can the name of this tolerant city be guessed? — I encountered an unusual sight in the form of a mile-long procession directed not against the private sector but (lo and behold!) against a nationalised institution. This was so unusual a feature, firstly, because of its direction, that I have attempted for the benefit of my readers to discover the sources of this vast perambulatory discontent. I have not found out anything except that it springs from pay scales, apparently an instrument of torture only to be found in the public sector. On Thursday the mile-long procession, which reminded an unsympathetic visitor of the Lochness monster of the terrible thirties, found its way to the residence of the Finance Minister who, I understand, received a memorandum and a deputation, happily reduced both in volume and in intensity. What the result of the monster on the Minister was, has not been disclosed, though there are reports of a 'sympathetic' hearing. I hear a whisper which may even be true. It seems that a very large number of employees of the Life Insurance Corporation are privately of the view that nationalisation of life insurance was a huge mistake. The question they are asking is an old one, who will unscramble the scrambled eggs? The answer has not yet been found.

ALL-TIME HIGH FOR SLOGANS

Delhi has not been the only place to be plagued by foolish slogans. I greatly fear from newspaper reports that the intensity of slogans and things which has reached an all-time high for this country. The proximate cause for this upheaval is stated to be a book 'Religious Leaders' published fifteen years ago in the United States; this is a case of violent delayed action; it needed fifteen years (and a careless Indian reprinting) to cause an explosion. This was more noisy in Aligarh than elsewhere. Dr. Zakir Hussain, Vice-Chancellor of Aligarh University, chose to speak to his students in a bitterly critical vein when delivering his valedictory address. I quote these sentences:

Eight years ago I came to Aligarh University with high hopes. Today, I am deeply disappointed. I believed that you had attained a certain degree of maturity of judgment, but your activities during the last few days proved that this was far from truth. You are easily provoked and behaved in a most disgraceful manner. Staging demonstrations and shouting unbecoming slogans are not the way to express your resentment at a certain passage in a certain book against the Prophet. I am sure your action should have caused pain to the soul of the Prophet."

Those who know Dr. Zakir Hussain will feel deeply pained in this hour of his defeat; but it is not his fault, it belongs to us all, whether in India or in Pakistan. Will Pakistan papers kindly copy?

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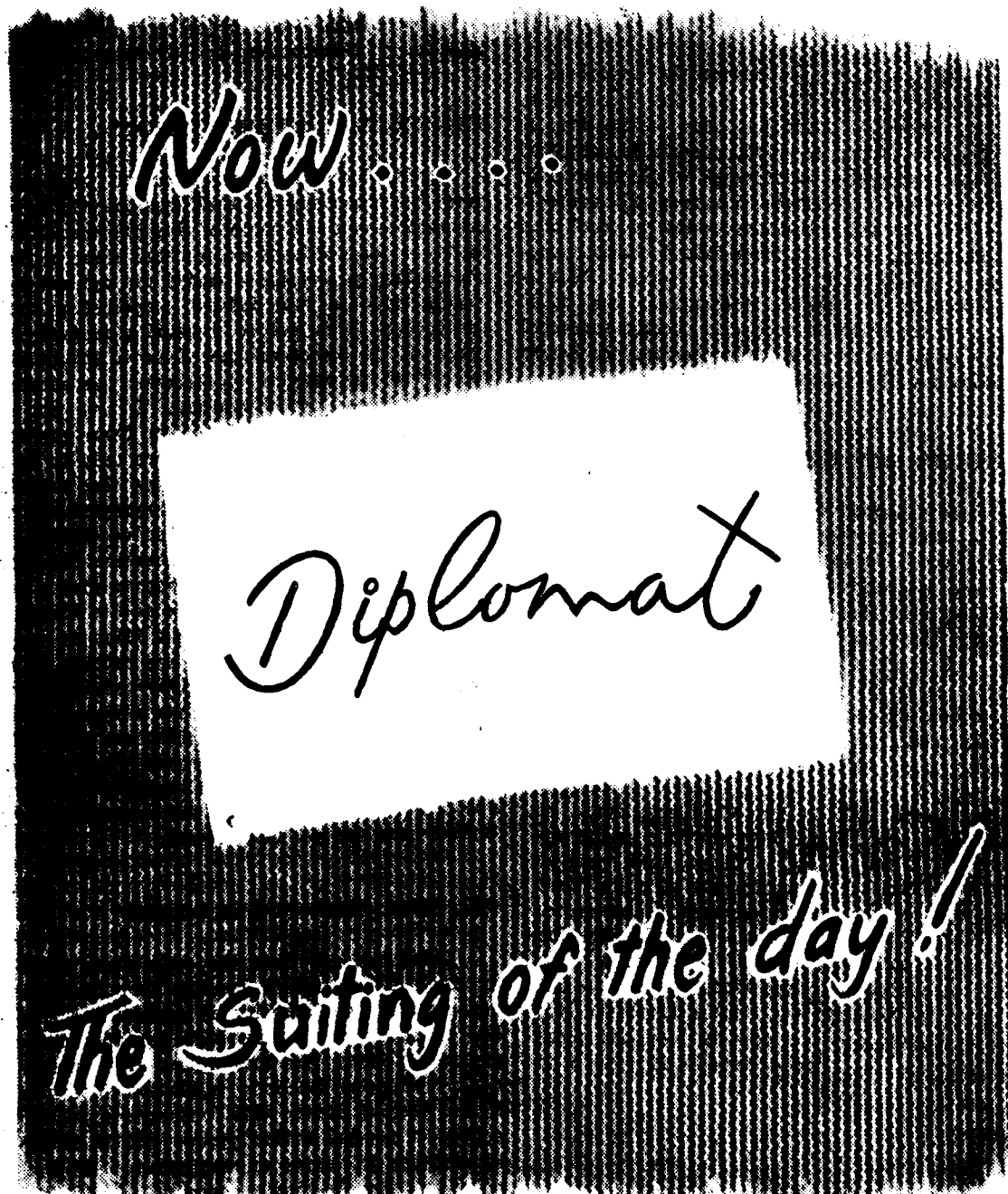
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WORLDGRAM

AGRICULTURE

Tubewells in PEPSU: In the second Five-Year Plan of PEPSU, provision has been made for construction of 250 State tubewells at an estimated cost of Rs. 150 lakhs under medium irrigation schemes. This information was given in the Lok Sabha recently by Shri Ajit Prasad Jain, Union Minister for Food and Agriculture, in a written reply to a question by Shri Ram Krishan. The details of the Programme, Shri Jain said, were not yet ready, but the State Government were expected to finalise the same by the end of the current financial year.

Scheme for Preservation of Fruit: The Union Minister for Food and Agriculture, Shri Ajit Prasad Jain, replied in the affirmative in the Rajya Sabha when asked whether there was any proposal under Government's consideration for the preservation of surplus fruit produced in the country. He said that the scheme envisaged the setting up of five large-scale units for fruit preservation in important surplus fruit growing regions. They are Kulu Valley, Himachal Pradesh, North-West Bengal, Andhra and Tripura. For the development of this industry in small-scale sector, it was proposed to set up 200 new units during the course of the second Five-Year Plan. Some of these units would be on co-operative basis.

U.P. Cotton Ginning Factories Amending Bill: The President has given his assent to the Uttar Pradesh Cotton Ginning and Pressing Factories (Amending) Bill, 1956. The Bill has been drawn up to amend Section II (1 and 2) of the U.P. Cotton Ginning and Pressing Factories Act, 1948, to provide for ginning returns to be furnished weekly, instead of monthly, as has been the practice so far. This is being done to bring the 1948 Act in line with the uniform measures which the Government of India have formulated for the better regulation of cotton ginning and pressing factories in the whole country.

INDUSTRY

Dunlop Rubber Company's New Venture: The Dunlop Rubber Co. (India) Ltd., announce important extensions to their manufacturing facilities in India. The existing factory at Sahaganj near Calcutta is being expanded to give increased output of truck and bus tyres, cycle tyres, cycle rims, general rubber goods and Dunlopillo. An entirely new plant is to be established in South India, probably near Madras where sites are at present being surveyed. It is planned to manufacture truck, bus and cycle tyres there, principally for the needs of the South Indian market. The factory is expected to be in operation in about 2 years' time.

Standard of Locks: The Indian Standards Institution has issued an Indian standard specification (IS:729-1956) for brass drawer locks, cupboard locks and box locks. The specification lays down four standard sizes, viz. 1½ in., 2 in., 2½ in. and 3 in., prescribes dimensions and tolerances, specifies material for various components of the locks, and defines construction and workmanship of these locks. The detailed manner in which the construction of the locks has been specified is expected to lead to better understanding of their manufacture and improvement in the quality of manufacture. The specification, can be obtained from the Indian Standards Institution, 19 University Road, Delhi-8, and its branch office at 40/40, Cowasji Patel Street, Fort, Bombay.

Licences for Sugar Factorles in the First and Second Plans: In a statement placed on the table of the Rajya Sabha the Union Deputy Minister for Labour, Shri Abid Ali disclosed that during the period of the first Five-Year Plan, 93 applications were received for the grant of licence for new factories. Out of this, licences were granted to 47, while 23 applications were rejected, 4 were withdrawn and 19 were carried forward on April 1, 1956, to the second Plan period. The statement further said that out of 47 licences granted, 23 were for co-operative factories and 24 to private companies. One co-operative and 3 private factories were established and worked during the 1955-56 season. Eleven co-operatives and 3 private factories were under construction and expected to go into production in 1956-57 season. In addition to 19 applications which remained pending at the end of the First Plan period, the statement continued, 11 more applications had been received since March 31, 1956. Licences had been sanctioned for the establishment of 9 co-operatives and one private factory so far during second Plan period.

Safety Requirements in Welding and Cutting: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard code of practice for safety and health requirements in electric and gas welding and cutting operations. In recent years considerable development has taken place in the field of welding. Electric and gas welding and cutting are becoming increasingly popular in the field of fabrication in both structural and non-structural parts. Associated with these are certain hazards, which have to be taken note of and certain rules observed from the safety and health points of view. This draft Indian standard code is expected to guide those engaged in electric and gas welding and cutting operations in the observance of safety rules. This code is one among a series of Indian standard specifications and codes of practice relating to welding which are under preparation as part of the Steel Economy Programme of the Indian Standards Institution. Comments on this draft code may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before November 27, 1956.

TRADE

Sweden's Terms of Trade: The volume of Sweden's exports in the first half of 1956 was 6 per cent larger than in January-June 1955, while the advance for import was 4 per cent, according to a report by the Swedish Institute of Economic Research. A comparison between the second quarter of 1955 and 1956 shows an increase of 16 per cent for exports and 13 per cent for imports. The large upswing for both exports and imports in the second quarter is explained by the customary seasonal recovery at that time of the year and by the adverse shipping conditions during the early months of 1956. Figures for the first quarter of 1955 and 1956 showed a decline of 6 per cent for exports and 5 per cent for imports. The largest relative increase in exports for the first six months of this year as compared with the same period of 1955 is registered for iron and steel, which rose by 40 per cent. Exports of machines, instruments and means of transport went up by 20 per cent. Iron-ore shipments increased by 15 per cent. However, decreases are also noted for some groups of goods. Agricultural exports dropped by 17 per cent, while timber shipments declined by 15 per cent from the comparatively high level reached in 1955. On the import side agricultural products and fuels accounted for the largest increase, of 16 per cent each. Machinery and instruments went up by 8 per cent. The same

figure was registered for textiles. Within this group, finished textile goods increased more than raw materials, by 11 and 5 per cent respectively. Imports of commercial iron and steel dropped by 32 per cent, while imports of cars declined from 56,100 to 47,300 units.

Promotion of Coir Exports: The Coir Board proposes to send a delegation to foreign countries to explore the possibilities of finding out new markets for Indian coir products and expanding the existing ones. Other steps taken to increase exports of coir mats and mattings included participation in exhibitions and fairs abroad, publicity for coir and coir goods in foreign countries, efforts to secure tariff concessions from foreign countries, on coir manufactures and to persuade foreign Governments at the time of the conclusion of Trade Agreements to permit import of coir manufactures. The value of exports of coir mats and mattings in 1955-56 was higher than in the previous three years. There was, however, a slight decline in the quantity exported in 1955-56 as compared with 1954-55 but this quantity was larger than what was exported in the three years before 1954-55.

FINANCE

New Procurement Authorizations for India: The US International Co-operation Administration has announced new authorizations totalling \$274,427 for the purchase of a wide variety of equipment for use in India. Largest item in the new authorizations is \$141,310 for foundry equipment. The sum of \$83,050 has been authorized for the purchase of chicken brooders, egg incubators and other miscellaneous equipment needed in a variety of poultry development projects. Some \$44,000 has been set aside for machine tools, metal working machinery and other miscellaneous equipment projects. Some \$44,000 has been set aside for machine tools, metal working machinery and other equipment including ocean freight for industrial and technical service organisations. Final item in the current authorizations is \$8,067 for scientific and professional instruments, apparatus and supplies for ground water exploration. Procurement of all the equipment will be carried out through the India Supply Mission in Washington. The authorizations are issued periodically to implement aid programme in operation between India and the United States.

Loans by Rehabilitation Finance Administration: Up to the end of July, 1956, the Rehabilitation Finance Administration had disbursed about Rs. 1023.54 lakhs by way of loans to displaced persons. The amount given to displaced persons from West Pakistan and East Pakistan was 710.18 lakhs and 313.36 lakhs respectively. Loans sanctioned by the Administration up to July 31, 1956, totalled Rs. 1253.73 lakhs. Of this, Rs. 815.9 lakhs were sanctioned to displaced persons from West Pakistan and Rs. 363.51 lakhs to those from East Pakistan. An amount of Rs. 74.32 lakhs was granted on 7499 fresh applications from displaced persons from East Pakistan. The total number of applications for loans received by the Administration by the end of July, 1956, was 87,404, of which 73,246 had been disposed of. The applications sanctioned in July, 1956, totalled 17, of which 16 were from East Pakistan and one from West Pakistan for re-instatement and enhancement.

Customs and Excise Revenue for July 1956: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in the Indian Union during July 1956, amounted to Rs. 11.77 crores as compared with Rs. 13.72 crores in the corresponding month of the previous year. The comparison in the

subsequent paragraphs should be taken to refer to that of the current figures with those of the corresponding period of the preceding year. Of the total customs revenue collections, import duties accounted for Rs. 10.28 crores as against Rs. 10.45 crores, export duties for Rs. 1.24 crores as against Rs. 3.17 crores and land customs and miscellaneous for Rs. 25 lakhs as against Rs. 10 lakhs. The total gross collection of Union excise duties amounted to Rs. 14.41 crores as compared with Rs. 13.14 crores. During the four months, April to July 1956, the grand total of gross customs and Union excise revenue realised was Rs. 107.01 crores as compared with Rs. 101.29 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 43.14 crores as against Rs. 40.98 crores, export duties for Rs. 7.03 crores as against Rs. 10.37 crores, land customs and miscellaneous for Rs. 95 lakhs as against Rs. 60 lakhs and Union excise duties for Rs. 55.89 crores as against Rs. 48.84 crores.

Central Land Mortgage Banks: In a written reply to a question by Shri M. Valiulla in the Rajya Sabha recently, the Union Minister for Food and Agriculture, Shri Ajit Prasad Jain stated that it was proposed to organise 12 Central Land Mortgage Banks during the second Five-Year Plan after the reorganisation of States. There were 21 States including Pondicherry, Andamans and Nicobar and North East Frontier Agency, in which such Banks had not yet been established.

GENERAL

Research Programmes: It is reported Rs. 20.5 lakhs was paid up to the end of 1955-56 to universities and other institutions for research, out of an amount of Rs. 35.4 lakhs allotted to them, stated Shri S. N. Mishra, Union Deputy Minister for Planning, in the Lok Sabha recently. Out of the 65 research schemes approved, reports of 24 schemes had been submitted.

New Map of India: After re-organisation of States in accordance with the provisions of the State Re-organisation Act and the Bihar and West Bengal (Transfer of Territories) Act, as from November 1, 1956, India will consist of 14 States viz., Andhra Pradesh, Assam, Bihar, Bombay, Jammu and Kashmir, Kerala, Madhya Bharat, Madras, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal. In addition there will be six Centrally administered territories viz., Andaman and Nicobar Islands, Delhi, Himachal Pradesh, Laccadive and Amindive Islands, Manipur and Tripura. The Institution of Rajpramukh will be abolished as also the distinction of States as A, B and C. The following will be the area and population of the States:

States	Area (In sq. miles)	Population (In millions)
Andhra Pradesh	110,250	32.2
Assam	84,924	9.0
Bihar	67,830*	38.93*
Bombay	188,240	47.8
Jammu & Kashmir	92,730	4.4
Kerala	14,980	13.6
Madhya Pradesh	171,200	26.1
Madras	50,170	30.0
Mysore	72,730	19.0
Orissa	60,140	14.6
Punjab	46,616	16.0
Rajasthan	132,300	16.0
Uttar Pradesh	113,410	63.2
West Bengal	33,279*	26.16*

* Stands for 'Approximate'.

NEWS IN BRIEF

INDIAN

Two hundred and fifty-three foreign students are studying in 80 educational institutions in India under the Colombo Plan.

Loans amounting to about Rs. 6.91 crores were sanctioned by the Industrial Finance Corporation during the period April, 1955, to August, 1956.

India exported 2,709 tons of crude and refined glycerine, valued at about Rs. 53.94 lakhs, during 1955-56.

It is reported the manufacture of photo flash bulbs is being undertaken for the first time in India by a Calcutta firm. A scheme submitted by the firm for the manufacture of 1.2 million flash bulbs annually has been approved by the licensing committee of the Government of India.

The Purchase Advisory Council has suggested the setting up of more showrooms and museums to display stores imported by the Central Purchase Organisation for Government requirements and disseminate information about them so that indigenous industry could take up their manufacture.

The Central India Cotton Association, Indore, has been granted recognition to conduct forward trading in cotton and cottonseed by the Government of India.

Thirty-six thousand "dais" (mid-wives) are proposed to be trained during the second Five-Year Plan at a cost of Rs. 90 lakhs.

The Government of India has decided to establish a machine designing workshop in Delhi with two branch workshops elsewhere in the country for manufacturing quality machine tools and designing the types of machinery for use by small industries.

The Government of India have sanctioned a grant of Rs. 50 lakhs to the U.P. Government for financing various schemes drawn up by the district planning committees pertaining to local development works.

An agreement to supply more than 3,000 tons of dried milk a year for a nutrition project in Calcutta is being drawn up at the F.A.O. headquarters in Rome.

India's tea exports to Canada are expected to be substantially higher in 1956-57 than those in the preceding year. In the three months April to June 1956, India exported to Canada 4.2 million lb. of tea compared with 2 million lb. in the corresponding period of 1955.

FOREIGN

It is reported Japanese plans for erecting a \$100 million steel plant in Brazil are now taking concrete shape with the conclusion of a tentative agreement between the two countries.

Production of steel in the United States for 1956 probably will total 114 million tons just slightly below last year's record production of 117 million tons.

Canada's output of pig-iron and steel ingots broke all records in August and for the first eight months of this year. Pig-iron production increased by nearly 10 per cent during August to 317,525 tons from 288,864 tons the year before.

Ceylon's tea acreage fell by 10,000 acres in the year ending March 31 last, according to the annual report of the Ceylon Tea Controller.

The US Treasury Department reports that American small investors now hold more than 41 thousand million dollars in government savings.

Steel production in the UK may rise to about 23½ million ingot tons a year by 1958 as a result of new development projects and major adaptations of existing schemes.

The population of the Netherlands—at present nearly 11 million—is expected to rise to between 13 million and 14.1 million by 1980, according to a report published by the Central Planning Bureau.

It is reported the Italian concern of Lambretta has installed an assembly plant for its motor-scooter at Ton Son Nhut near Saigon.

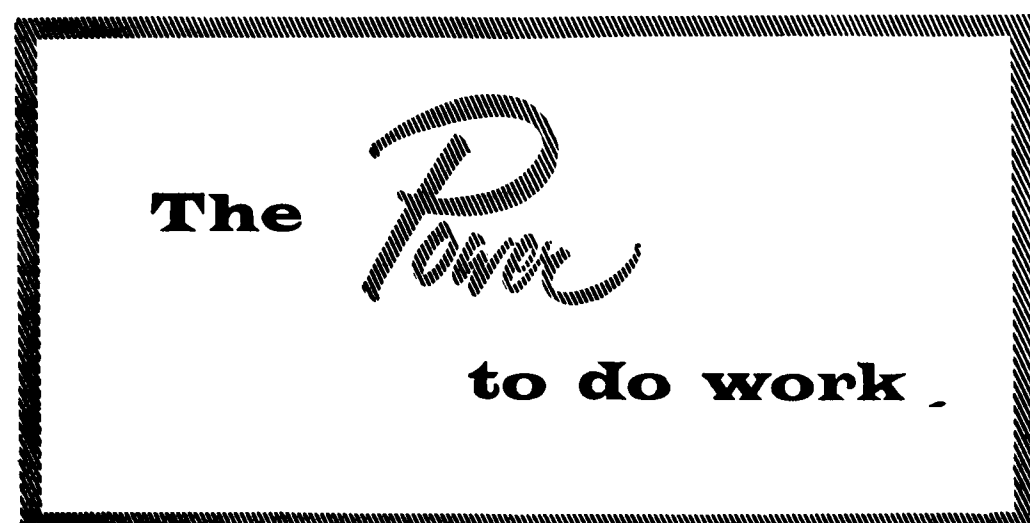
Japan's sterling balances at the end of August showed a further fall as compared with end-July when they stood around £75 million.

The Krupp-owned Weser Shipyard is going over to a five-day week as a result of the introduction of the 45-hour week in the whole engineering industry of Germany as from October 1 except in Bavaria where it will operate from January.

It is reported the West German Government has now submitted to parliament the Charter of the Federal Bank which is to take the place of the Bank Deutscher Lander.

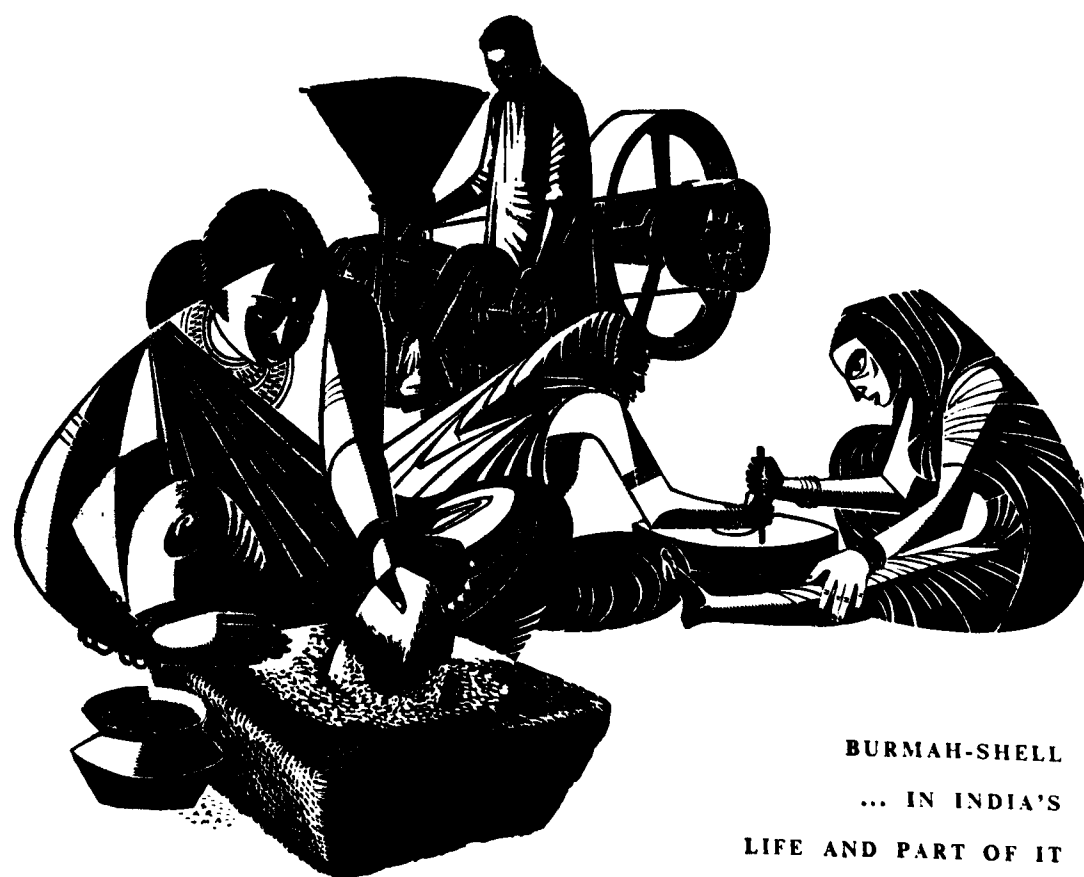
A railway through Swaziland linking the Eastern Transvaal with Northern Zulu land is being investigated by the South African Government.

Following successful experiments, the Israel-American Paper Mills have decided to set up a large plant at Hadera (Israel) for the production of pulp from maize straw.



Energy means the power to do work, and India needs all the energy she can get if the targets of the Second Five Year Plan are to be fulfilled. The proportion of *commercial* energy—that is to say, coal, electricity and oil—to the whole energy system is still extremely low in India. Nevertheless, it is beginning to have its impact on traditional methods and ways of life, even in remote rural areas.

The contribution made by oil in the commercial energy pattern in India has increased by 100% since 1948. Oil is the most flexible source of energy available... it is, in fact, 'packaged power' in an easily handled form. It is our job to maintain and extend a distribution organization which will ensure that *energy from oil* flows to all parts of the country cheaply, efficiently and in sufficient quantities.



BURMAH-SHELL
... IN INDIA'S
LIFE AND PART OF IT

Surprise at Thermopylae

When Xerxes, the mighty Persian emperor, invaded Greece in 480 B.C. he had with him a company of Indian archers. These Indian archers used a new weapon—a steel-tipped arrow which had been brought all the way from India. History records that the Greek army was surprised by the superior arms of Xerxes and was defeated in the battle of Thermopylae.



Today, once again, steel is very much to the fore in the nation's thinking, but with a different intent. The country's steel-making capacity is being rapidly enlarged, not for purposes of war, but for peace and development.

TATA STEEL SERVES THE NATION

The Business World

RATIONALISATION WITH(OUT) TEARS!

By

CROESUS

THE fusillade of criticisms against the recent increase in excise duty on all varieties of cloth would appear to have hit the mark, if credence were to be given to the reported move on the part of the Government shortly to announce an increase in the target of cloth output. It is reliably understood that a Cabinet decision sponsoring the scaling up of the 'per capita' consumption of cloth higher than the now officially accepted target of 18.5 yds. may soon be taken when the whole textile policy is expected to come up for a threadbare discussion.

India's textile policy, with its obvious inhibitory slant on increased mill production, was given a new look in mid-June last when, at a press conference, the Union Minister for Commerce and Industry gave expression, in so many words, to the fact that India does not believe in allowing the cotton mill industry to stagnate at around 5,000 million yds., a level which was recommended sufficient by the Karve Committee. The Government, however, was ready to accept the Committee's recommendation in regard to its estimated increase in the demand for cloth consumption during the second Plan period at 1,700 million yds. It may be recalled here that it was in the distribution of this additional increase of 1,700 million yds. among the various sectors of the cotton textile industry that the Government seemed to underline a departure from its erstwhile cloth policy. As revealed by Shri T. T. Krishnamachari at a press conference here in Delhi on June 18, 1956, out of the anticipated addition of 1,700 million yds. 700 million yards would be allocated to handloom industry from mill yarn, 300 million yards for the same sector from Ambar Charkha yarn; 200 million yds. by the introduction of powerlooms in the handloom sector and 350 million yds. by the installation of automatic looms in the mill sector, for export only. This left an unallotted balance of 150 million yds., a decision in regard to whose allotment, it was then stated, would be taken in the light of circumstances which might develop in future. It was also clearly stated by the Union Minister for Commerce and Industry in mid-June last that the production target would be reviewed in a year or so in the light of consumption trends to determine whether the target should be raised.

Evidently, the time for a review of not only the production aspect but the entire textile policy has now come, sooner than the Government had bargained for. The increase in excise duty and the near-panic and confusion engendered by Government's own muddled reasoning behind the measure only precipitated the need for a thorough overhaul of the textile policy, with particular reference to the freezing of mill production, than which there has been no other single factor that has done more harm to the textile economy. It is the Karve Committee, which examined development of small-scale industries for providing 12 million jobs, that suggested pegging of mill production at 5,000 million yds., reserving the entire anticipated increase in demand during the second Plan of 1,700 million yds. to handloom and Ambar Charkha cloth.

At a time when it is admitted on all hands that there is a steadily growing increase in the rate of cloth consumption, with promise of further acceleration in the festival months to come, the crying need of the

hour was at least a 'decision' to step up cloth production, the actual implementation of it must of necessity mean passing of some length of time. Instead of meeting the issue face to face, the Union Commerce and Industry Minister-turned Financed Minister sought to impose a curb on consumption. At any rate, the immediate consequence of a rise in the excise duties, despite all the assurance on the part of mills to bear the brunt of the levy themselves and the Government's efforts to educate public opinion in respect of fair price for cloth, was a reduction in effective demand or in other words a decline in the consumption trend. This is certainly not the way to study the consumption trend which would help Government decide whether the target of production needs to be scaled up!

To meet a possible rise in price arising from the increased levy of excise duties, the obvious course open for the authorities, one thought, was an increase in production. It must be remembered that an increase in excise duty presupposes availability of more cloth for exports, which means relatively less cloth to go round for domestic consumption kindling thereby the inflationary fire in the price factor. But for some reasons known only to themselves, the authorities refused to see the obvious and virtually tied themselves in knots by arguing in turn that prices would not go up, while at the same time increase in excise duty would bring about the desired restriction on consumption and in demand!

Any consideration of the rationalisation of the textile industry would not be assured of successful implementation, if intelligent and adequate provision is not made for the expansion of the mill sector. For, when all is said and done, it is only the organised mill industry which could be expected to deliver the goods and in time. It is, therefore, quite on the cards that should any decision be taken on the assignment of the unallotted 150 million yards, it would solely be set apart in favour of the mill sector. In fact, shrewd observers point out that inasmuch as the immediate need to meet the increasing pace of consumption in the next two or three years has been apparently neglected by the authorities, it is well worth encouraging the mill sector to take up production of not just 150 million yards but, say, even 500 million yards. In view of the fact that it requires at least six to eighteen months to install the necessary machinery and obtain cotton to produce the required additional amount of cloth, it is of paramount importance that action in this behalf is taken forthwith so that the necessary machinery may be set to work to meet the certain increase in the demand for cloth. It is needless to say that an increase in the production of cloth while ensuring the equation of supply to demand has the added advantage of maintaining a stable price level, which is of prime importance in the context of the generation of inflationary thought in season and out of season these days! The realisation of the need to reorientate India's textile policy is the first step, to be followed by active and vigorous participation by both the Government and the organised sector of the industry, which would ensure protection against the possible imbalance of supply and demand in the immediate years prior to 1960-61, when the handloom sector will be able to increase its present production (sic) of 1,600 million yards by another 1,000 million yards.

TO HERALD AN INDUSTRY'S COMING OF AGE



NEARLY TWENTY YEARS AGO, the development of the aluminium industry in India was initiated with the help of Canadian technical and financial resources. Today this vital industry has entered a new phase of growth with Indian Aluminium Company's decision to install a new 10,000 ton smelter at Hirakud. This smelter will be India's largest and will more than double the country's production of aluminium.

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A study of the production trend of mill cloth in the first eight months of 1956 (latest figures) brings out clearly that this is perhaps the most ideal time for the Government to come to the aid of the cotton mill industry in encouraging production.

Month	CLOTH		YARN	
	1956	1955	1956	1955
	(million yds.)		(million pounds)	
January	414	437	130	135
February	428	402	133	125
March	416	429	131	135
April	425	418	131	130
May	445	401	135	125
June	447	418	137	133
July	478	446	145	144
August	445	419	134	138
	3,498	3,370	1,076	1,065

It will be seen from the foregoing that production of cloth has been more or less well maintained, with the slant on increased production, up to July when it hit a new peak of 478 million yards in respect of cloth and 145 million lbs. in respect of yarn. The setback in production from 478 million yards in July to 445 million yards in August may be partly attributable to the violent disturbances resulting in the temporary closure of many textile units in Ahmedabad. That the mills are set to keep up the pace of production is, however, indisputable and it is precisely at this psychological moment that the Government would do well to come out and win friends and influence business. Taking the aggregate total of 3,498 million yards into account, the monthly average would work out to about 437 million yards which means a yearly output of about 5,244 million yards which underlines that the mills are already producing in excess of the officially fixed target of 5,000 million yards. Why not make what is de facto, de jure?

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BUSINESS NOTES

FRESH LIGHT ON CLOTH

THE LATEST report of the Millowners' Association, Bombay—that for the year 1955—is of topical interest today when the controversy over the wisdom of placing a ceiling on the production of mill cloth, even if it be to encourage the handloom industry in the name of providing more employment, is still very much alive.

The per capita consumption of cloth has been steadily increasing, and will increase still further in the coming years, as large sums are being expended on development. According to the Union Finance Ministry, the estimated per capita consumption is 16.8 yards which may go up to 20 yards or even more by the end of the second Five-Year Plan period. Even this, however, is an underestimate according to the millowners. Anyway, it is found that, even with a less-than-17 yards-per capita availability cloth consumption is proving to be beyond the present total productive capacity of all the three sectors — mill, powerloom, and handloom. In other words, the supply of cloth is lagging woefully behind demand, thereby leading to a disequilibrium in the demand and supply position. Far from correcting this situation by allowing the mill capacity to expand, the authorities preach curtailment of consumption, and they hope to achieve it by the present increase in excise duty on mill cloth. It remains to be seen how far this is going to inhibit consumption and how far, in the long run, it will prove to have been a sound policy.

The mill sector, comprising 401 mills (with an installed capacity of 1,20,68,544 spindles and 2,07,347 looms as on August 31, 1955) produced 5,094,475,000 yards for the year ended December 31, 1955 and employed 4,23,595 workers. These figures exclude the capacity of 34 mills recently registered. If, in spite of this installed capacity, which is capable of producing more, production has not increased more spectacularly and prices have been sharply rising, the fault is clearly not of the mill sector. It is also evident that the demand for cloth in the country is rising at a very much faster rate than what the government has bargained for. With all the encouragement and assistance to it, it is doubtful if the handloom sector can meet the growing demand promptly. The Government should, therefore, review the whole position dispassionately and remove the restrictions on mill cloth and allow it to produce at least to the maximum of installed capacity, present and proposed.

According to the report, the cloth requirements of India at the rate of 22 yards per head, which is the Association's own estimate, amount to 8,800 million yards and, together with another 1,000 million yards for exports, we have to plan for producing a total of 9,800 million yards. As against this, the mill sector is allowed to produce only 5,000 million yards. (This is exclusive of the recent relaxation in regard to production exclusively for exports). The producing capacities of the handloom sector and the powerloom have been placed at 1,400 million yards and 200 million yards, respectively, by the Kanungo Committee. All these come to only 6,600 million yards leaving still a gap of as much as 3,200 million yards, according to the report. With so much leeway yet to be made, there seems to be ample scope for allowing the mills to produce more.

A point worth stressing here is that unlike hitherto, any addition to the productive capacity of mill hereafter will not only take a longer time but also a larger capital outlay. While it is no more just a matter of integrating production by bringing about a better

balance between the different processes of manufacture or enlarging a marginal uneconomic unit into an economic one, the ability of the mill managements themselves to find funds for further expansion has become severely limited. This position promises rather to worsen than to improve in the conceivable future, which means that every day's delay in the Government's decision on the question of allowing the mills to produce more cloth will make the task not only more expensive but also more difficult to accomplish in time. This time factor is of the essence here, but it is a pity that this is not as fully realised as it requires to be, even in those quarters where one ordinarily expects it to be done.

INDO-US FARM AGREEMENT AND AFTER

THE SIGNING of the recent agreement between this country and America for the import of Rs. 172 crores worth of US farm surplus products, particularly wheat and cotton, has been described variously as 'Spectacular', 'far-reaching', 'highly significant' and so on and so forth. Inasmuch as so much ado has preceded and followed the signing of this 'historic' agreement, it is perhaps relevant to examine what effect, if any, the agreement has produced in cotton importing circles. Shippers in Bombay, particularly those interested in the import of American cotton, are of the opinion that the Government should come out immediately with the procedural details in regard to this agreement so as to enable importers in this country to take advantage of the decidedly attractive price trend in cotton that is currently obtaining in America.

This is also necessary because some confusion would appear to have been caused in respect of the import of US cotton linked to the export of cotton textiles to Burma. It will be recalled that this country had entered earlier into a tripartite agreement with America and Burma, whereby about 20 million yards of Indian cloth were undertaken to be shipped to Burma, against which India was to receive from Burma about 40,000 bales of cotton which that country had secured from America. Now, this Indo-US-Burma triangular deal has a strange stipulation which virtually makes the whole scheme meaningless, if not unworkable. Thus, the Agreement stipulates that raw cotton from America will not be imported into India until cotton textiles and/or yarn of equivalent value have been shipped from India to Burma. Accordingly, the issue of import permits for raw cotton is governed by the credits opened for cotton textiles by the Burmese importers. Further, the issue of these import permits is to be on the basis of the order of priority of shipment months entered in the applications and not on the basis of the priority in the date of receipt of these applications. As a result, a virtual impasse has been created in respect of import of US cotton under this scheme. Nobody is sure how long a shipper has to wait in order to obtain his licence.

It does not require much straining of one's imagination to appreciate that any setback or difficulty in the smooth flow of US cotton imports into India at present is fraught with the grave risk of undermining the confidence of importers and mills here. They have already had an occasion in the past, when they suffered from what is familiarly known as the 'damaged cotton episode'. Once bitten, twice shy—that is what they are today.

The authorities would do well, therefore, to expedite the import of American cotton by clarifying forthwith the relevant procedural details. Importers in the country would also seem to be inclined strongly to

favour a de-linking of the textile exports and cotton imports in respect of the Indo-US-Burma deal, so as to enable the trade here to profit by the currently increasing mill demand for US cotton, thanks to the attractive prices quoted for new crop American cotton. Unless and until the uncertainty in this regard is removed, exporters in America also would be inclined to view the whole scheme with apprehension, if not suspicion, and in that event, the authorities in this country would be hard put to it to persuade them, later on, to expedite shipments of US cotton to India.

EXPANSION PLANS OF TEXMACO

THE EXPANSION schemes of the Textile Machinery Corporation were highlighted by Mr. K. K. Birla, Chairman, in his speech this week at the 16th annual meeting of the Company's shareholders. The planned expansion would involve a large capital outlay made possible by the recent increase of authorised capital from Rs. 1.5 crores to Rs. 4 crores and of paid-up capital from Rs. 1 crore to Rs. 1.9 crores. A wider range of machinery would be manufactured with the help of technical know-how already secured through agreements with some foreign firms — namely, a Japanese firm in respect of card clothing, a British firm in respect of jute spinning frames, an American firm in respect of water tube boilers, an Austrian firm in respect of radial spillway gates and a Dutch firm in respect of sugar mill machinery.

Texmaco's enterprise in securing the technical collaboration of so many foreign firms of repute is an index of the high quality of machinery to be produced by it. While this expansion is being planned, the Corporation is also simultaneously making progress in the usual lines of manufacture. More ring spinning frames, for example, are now produced to cope with the present increased demand. This higher demand is due to the revised policy of the Government of India in regard to expansion of spindlage and loomage.

Mr. Birla had also something valuable to say on the Government's industrial policy. After recalling that the State was to develop exclusively certain industries like heavy castings and forgings of iron and steel, heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture etc., Mr. Birla remarked that the reasons which impelled the Government to reserve iron and steel, mineral oils, ship-building, etc., would not apply to the former list of industries. In his view those were relatively smaller industries that private enterprise could quickly build up. The Government would, therefore, do well not to shut the private sector out of those altogether.

JAY ENGINEERING WORKS' PROGRESS

IN HIS address to the annual general meeting of the shareholders of the Jay Engineering Works Ltd., Sir Shri Ram made an important suggestion that merits serious consideration. Pointing out how there is room for considerable increase in the export of general engineering goods which would serve to augment the country's foreign exchange, he proposed that it would be a good thing if the Government of India could call a conference of railways, industry, trade, labour, etc., to consider the problem and find out ways and means of encouraging exports. The contribution to the foreign exchange resources may be small, but there is no reason why this suggestion should not be pursued and proper steps taken to get the maximum out of this source. He also referred to the fixation of uniform prices for steel and pig iron, of both Indian and imported, and suggested that on the engineering goods exported, the prices of raw materials, whether pig iron or steel, should be charged on the basis of the indigenous prices. He rightly argued that while the difference

in cost to the pool would be negligible, it would be a great help towards export of these goods.

For the rest, his address referred to the all round progress made by the company. There is reason for pride that as intended last year, they were able to produce a table fan for about Rs. 60 and put it on the market. One can also hope that their proposal to put a 36" ceiling fan on the market for about Rs. 100 in a few months will materialise soon. The plans for the expansion of the fan factory and the machine factory have been considerably facilitated by the licence granted by the Government of India and consequently the capacity of the fan factory will be increased from 10,000 to 25,000 fans per month and of the sewing machine factory from 10,000 to 25,000 a month. A significant point in his address was the fact that the earnings of the workers were going up steadily and for the last year they received in the shape of Puja bonus and profit sharing an amount equal to 5½ months' wages. This, it is stated, is the highest in India, and the company must be congratulated on its achievement.

PAPER INDUSTRY'S PROBLEMS

DEMAND FOR paper in India has developed at a rather fast rate, with consumption in 1955-56 reaching a level of about 238,000 tons. As against this during the period of the first Plan the output of paper and paper boards increased from 114,000 tons in 1950-51 to some 187,000 in 1956, slightly below the target of 200,000 tons fixed in the Plan.

For paper and paper board, newsprint and straw-board the second Plan envisages targets of 450,000 tons, 60,000 tons and 59,300 tons in terms of annual rated capacity and 350,000, 60,000 tons and 35,000 - 40,000 tons in terms of production respectively. It will be seen from the data relating to targets that it is in respect of the paper and paper board section of the industry that the Planning Commission visualizes a very large increase in production. In this connection Mr. G. P. Birla's observations made at the general meeting of the Indian Paper Mills' Association deserve careful consideration. Since the raw material position has been a continuous headache to the industry, it is but fair that research in the utilisation of raw materials for the paper industry be pursued in right earnest. Mr. Birla has noted two developments which could make the problem of raw material supply easier. One relates to the use of sabai for the manufacture of chemical and mechanical pulp and the other to the experts' report in favour of utilizing bagasse for the production of newsprint and other types of paper. It need hardly be emphasised that both these suggestions are worthy of consideration to facilitate the achievement of the plan target.

Although the Government has already set up a Committee of officials to advise it on the preparation of a basic plan for the expansion from the point of view of raw material supply, it is regrettable that no representation has been given to the industry on it. It is high time the industry's representatives are included in the Committee because they can assess better the raw material problems.

Along with the raw material complaint another of the paper industry's complaints has been in regard to caustic soda. To mitigate this complaint it is suggested that the Government should either allow the paper mills to import their actual requirements of caustic soda direct or entrust to the Indian Paper Mills' Association the task of importing and distributing the chemical to its members. As the previous arrangement had involved an additional burden to the industry, allowing the paper mills to import their actual requirements of caustic soda direct deserves a fair trial.

Economic Report from the U. S.

GOLD AND DOLLAR RESERVES

(By GUY SIMS FITCH)

WASHINGTON, Sept. 25.—Officials of the United Nations International Bank for Reconstruction and Development and International Monetary Fund, meeting here this week, have drawn a heartening picture of the economic progress made around the world in recent years. Not the least important element in this progress has been the easing of one of the great problems of trade expansion — the dollar shortage abroad. The total foreign holdings of gold and dollars have increased markedly since 1949, when a number of Western European and sterling-area countries adjusted their exchange rates.

At the end of 1955, some \$26,100 million were held abroad in gold and short-term dollar assets. To this must be added \$1,400 million in readily saleable U.S. bonds and notes, bringing total holdings abroad of gold and liquid dollar assets to \$27,400 million. This represents an increase of \$11,600 million over 1949, and virtually all — namely \$11,000 million — of this increase was the direct result of trade with and aid from the United States. With U.S. imports running at record levels this year, the prospect is that foreign gold and dollar reserves will continue to increase. Some major developments have helped to bring about this improvement. Internally, many countries have taken important anti-inflationary measures in the past eight years. These and the progress they have made in post-war economic development have enabled them to expand their exports to a significant degree.

Externally, most countries have found in the United States a ready market for their exports as the American economy has undergone itself a remarkable peacetime expansion. The United States, the world's

largest importer, stepped up its purchase of goods from abroad by some 66 per cent between 1949 and 1955. In addition, Americans increased their spending abroad by about 50 per cent. Also, U.S. private investment became in that seven-year period an increasingly important source of dollars. For example, in 1955 such investments amounted to more than \$1,000 million, nearly twice as much as in 1949.

While U.S. economic aid declined some 62 per cent since 1949, it still amounted in 1955 to more than \$2,000 million and thus constituted an important source of dollars to many countries. In the aggregate, total U.S. Government expenditures abroad none the less more than doubled between 1949 and 1955. All parts of the world have shared in the increase of gold and dollar holdings since 1949. Countries of continental Western Europe more than doubled their reserves. The sterling area, led by the United Kingdom, increased its exchange reserves by 58 per cent between 1949 and 1954. In 1955, these holdings declined some 10 per cent, but have started to rise again. Western Hemisphere countries increased their gold and dollar assets by more than 40 per cent between 1949 and 1955. They enjoy the largest share of the world's dollar earnings. In 1955, they received 39 per cent of all U.S. payments abroad. Asian and African countries outside the sterling area and the European Payments Union succeeded in nearly doubling their gold and dollar reserves between 1949 and 1955.

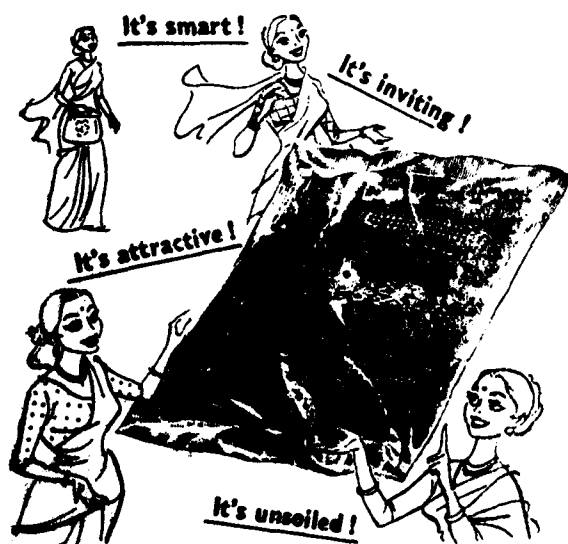
Even though some difficulties remain, this improved gold and dollar position of other countries augurs well for further progress in liberalizing trade.

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COMPANY AFFAIRS

OVER-PRODUCTION IN JUTE GOODS?

For some time now, the climate for the jute industry has not been particularly favourable. Due to overproduction and lack of demand, especially in heavy goods, the prices obtainable for finished goods have not kept in line with the rising cost of raw jute. The unsealing of looms, in the expectation of increased demand, from the Soviet Union and others, which did not materialise, made matters worse, and the IJMA had to revert back to the old position of keeping 12½ per cent of total loomage sealed. The situation is further aggravated by the increasing production in Pakistan, whose mills are in a strong competitive position due to cheaper raw materials, lower wages and an internal market in which high profits are obtained.

Stocks of finished goods, which had continued to decline up to the end of 1955, tended to increase every month thereafter. At the end of March this year, the stocks of hessian and sacking had risen to 95,200 tons and by the end of July they touched the 135,800-ton figure which was double that of the figure at the beginning of the year. A redeeming feature is that the internal consumption of jute goods had risen to 190,000 tons during the 12 months ended June, 1956. The figure, however, represents a mere 17 per cent of the total production of the industry. Estimates of the quantity of new jute crop available in India as well as Pakistan are not such as give expectation of any substantial surplus. The decision to reseat the looms is calculated to result in reducing raw jute prices and simultaneously raising the price of manufactured goods.

BIRD & CO. GROUP OF JUTE COS.

In accordance with the working time agreement of the Indian Jute Mills' Association, the seven companies under this group—the Auckland, the Dalhousie, the Lansdowne, the Lawrence, the Northbrook, the Standard and the Union, Jute Cos. Ltd., worked, for the half-year ended March, 1956, 48 hours weekly with 12½ per cent of the total looms sealed up to January 7, 1956. Two days later, 2½ per cent of the total looms were unsealed and a further 5 per cent were unsealed from February 20, leaving 5 per cent of the total looms sealed. Except for the Lansdowne, which was not completely free from labour trouble, the labour situation remained quiet and the complement at the companies' mills was maintained at full strength. Stocks of jute have been valued at cost and manufactured goods at contract or market rates. The working of individual companies is given below.

The Auckland Jute Co., Ltd.

After providing Rs. 3,07,088 for depreciation, the Profit and Loss Account shows a profit of Rs. 62,844. Together with Rs. 9,783 brought forward and Rs. 40,000 transferred from general reserve, there is an available balance of Rs. 1,12,627. The Directors have recommended payment of tax-free dividends on preference shares at 5½ per cent per annum, on redeemable preference shares at 4½ per cent, and on ordinary shares at Re. 1 per share, which absorb Rs. 27,500, Rs. 33,750 and Rs. 40,000 respectively. The balance of Rs. 11,377 is carried forward. Gunny sales for the period totalled Rs. 83,51,256. Manufacturing expenses were Rs. 59,89,363 and an amount of Rs. 17,80,376 was given away in salaries and wages.

The Dalhousie Jute Co., Ltd.

The Company's gunny sales amounted to Rs. 73,64,091. Manufacturing expenses and salaries and wages came to Rs. 54,87,132 and Rs. 18,49,909 respectively. After providing Rs. 1,14,537 for depreciation, there emerges a loss of Rs. 2,22,841. This is reduced to Rs. 2,20,845 by bringing forward Rs. 1,996 from the

previous account. The net loss is recommended by the Directors to be carried forward.

The Lansdowne Jute Co., Ltd.

The results of the Company are as distressing as of the previous. Gunny sales total Rs. 64,74,227. Manufacturing expenses are Rs. 50,10,473 and salaries and wages amount to Rs. 18,17,306. Depreciation has been provided Rs. 77,785 after which the account shows a loss of Rs. 2,68,426. By bringing forward from the previous account Rs. 10,707 and transferring Rs. 45,000 from Provision for Taxation, the loss stands reduced to Rs. 2,12,719 which has been recommended by the Directors to be carried forward.

The Lawrence Jute Co., Ltd.

In line with the others, the Company's accounts show a loss of Rs. 1,33,361 after providing Rs. 48,912 for depreciation. With Rs. 2,154 brought forward, and drawing upon Equalisation of Dividends Reserve and General Reserve to the tune of Rs. 1,20,000 and Rs. 60,000 respectively, there emerges an available balance of Rs. 48,793. This amount has been recommended by the Directors to be paid in tax-free dividends on 'A' preference shares at 7 per cent per annum and 'B' preference shares at 5½ per cent per annum, which absorb Rs. 17,500 and Rs. 27,500 respectively. The balance of Rs. 3,793 is carried forward.

The Northbrook Jute Co., Ltd.

Among all the companies in the group, the Northbrook has done comparatively well. It shows a net profit of Rs. 3,16,416 after providing Rs. 3 lakhs for taxation, Rs. 2,82,363 for depreciation and Rs. 75,000 for development rebate reserve. Adding to the profit Rs. 46,862 being amount brought forward, the sum available for disposable totals Rs. 3,63,278. The Directors have recommended payment of a 5½ per cent per annum dividend, tax-free, on preference shares which absorbs Rs. 41,250. On ordinary shares, a dividend of Rs. 1-8 per share, also tax-free, has been recommended, which takes away another Rs. 2,51,912. The balance of Rs. 70,116 is to be carried forward. During the period under review, the Company's gunny sales amounted to Rs. 70,54,268. Manufacturing expenses were Rs. 51,38,406 and the amount paid in the form of salaries and wages was Rs. 14,38,765.

The Standard Jute Co., Ltd.

In a total gunny sale of Rs. 64,30,163, the manufacturing expenses have amounted to Rs. 48,08,374 and salaries and wages have taken Rs. 15,26,543. The result of the working during the period under review has been a loss of Rs. 2,11,836, after Rs. 2,04,776 have been provided for depreciation. During its previous working half-year also, the Company had suffered a loss of Rs. 2,75,291. Together, the two half-years have produced a total deficit of Rs. 4,87,127, which the Directors have carried forward.

Union Jute Co., Ltd.

The gunny sales of the Company at Rs. 1,20,80,592 are the highest in the group. Manufacturing expenses and salaries and wages are also correspondingly high at Rs. 84,28,689 and Rs. 28,65,496. The overall position, however, show a deficit of Rs. 69,206 after provision is made for taxation and depreciation at Rs. 10,000 and Rs. 2,56,264 respectively. By transferring Rs. 1,30,000 from the general reserve and bringing forward from the previous account Rs. 14,518, the Company has been able to create a disposable balance of Rs. 75,312. This amount is distributed in tax-free dividends on preference shares at 7 per cent per annum and Re. 1 per ordinary share which absorb Rs. 21,000 and Rs. 35,978, leaving Rs. 18,334 to be carried to the next account.

COMMODITY NEWS AND NOTES

ALL-INDIA FIRST ESTIMATE OF SESAMUM

The All-India First Estimate of Sesamum, 1956-57 puts the current year's area at 3,511,000 acres as against the corresponding adjusted estimate of 3,617,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows a decline of 106,000 acres or 2.9 per cent in area during the current year as compared to last year. The decrease in acreage during the current year has been shared mainly by Madhya Bharat, Rajasthan and Madhya Pradesh and to a lesser extent by Bombay, Madras, Bhopal, Bihar, Mysore, Vindhya Pradesh and Tripura. The decrease in area has been attributed to adverse climatic conditions at the sowing time. The decrease has, however, been offset to a small extent by increases reported mainly by Hyderabad, Saurashtra, and Andhra. The information given in this Estimate covers the period generally, up to the end of July, 1956. Till then the condition of the crop was reported to be generally satisfactory. This Estimate does not cover the entire area sown to this crop during 1956-57. Past experience has shown that the area at the first estimate stage forms roughly 55 per cent of the area under the crop finally reported.

RISE IN TOBACCO PRODUCTION

The All-India Final Estimate of Tobacco, 1955-56 places the year's area and production at 921,000 acres and 259,000 tons as against the partially revised estimate of 846,000 acres and 244,000 tons for 1954-55, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 75,000 acres or 8.9 per cent in area and 15,000 tons or 6.1 per cent in production over last year. The increase in area, and production of tobacco during 1955-56 has been shared by most of the tobacco growing States. The increase in area is particularly marked in the case of Bombay. The increase in area and production during 1955-56 is attributed to better climatic conditions as compared to 1954-55.

FORWARD TRADING IN COTTON AND COTTON-SEED

The Government of India have on the advice of the Forward Markets Commission granted recognition to the Central India Cotton Association Limited, Indore, for forward trading in cotton and cottonseed for a period of three years. The Association would initially function through two wings, one at Indore for cotton and the other at Ujjain for cotton and cottonseed.

FORWARD TRADING IN GROUNDNUT KERNELS AND GROUNDNUT OIL

The Government of India, on the advice of the Forward Markets Commission, Bombay, have granted recognition to the Adoni Groundnutseeds and Oil Merchants' Association Ltd., Adoni, for conducting futures trading in groundnut kernels and groundnut oil for a period of three years.

CONSUMPTION OF OPIUM

The Indian Government's policy of gradual reduction in the supplies of excise opium has resulted in a considerable decrease in the quantity of opium con-

sumed for purposes other than as medicine for the relief of pain and other symptoms caused by factors other than mere addiction to opium. In Bombay, for instance, the number of consumers of excise opium has come down from 30,000 in 1949-50 to 5,875 in 1954-55. The quantity of opium consumed during the same period has also come down from nearly 107 maunds to 17 maunds only. What is true of Bombay is true generally also of other parts of India. In 1949, the All-India Opium Conference recommended, and the Government of India decided, that no excise opium should be made available for consumption for purposes other than medical or scientific, after, March 1959, which is the deadline for the closure of all excise shops selling opium. After that date, the permissible use of opium will only be for medical and scientific purposes and its distribution will be undertaken directly by the Central and the State Governments.

WORLD PRODUCTION AND CONSUMPTION OF RUBBER

World production of natural rubber rose sharply in July while consumption declined, according to the latest figures issued by the International Rubber Study Group. Output in July totalled 162,500 tons compared with the June figure of 145,000 tons. Consumption amounted to 145,000 tons against 155,000 tons in June. The Study Group's figures indicate that over the first seven months, of this year, production amounted to 1,015,000 tons, compared with consumption of 1,097,500 tons. Stocks at the end of the period totalled 817,500 tons a decline of 67,500 tons since January 1. The January-July consumption figure included estimated imports into the USSR of 75,925 long tons and into China of 42,450 long tons. In the month of July, imports into these two countries were estimated, respectively, at 9,650 long tons and 6,900 long tons. Reported exports of rubber from Indonesia during July, 1956, amounted to 58,715 long tons, of which 15,836 long tons were reported as being of estate origin. On the basis of the normal monthly allowance of 2,500 long tons for non-reported exports total Indonesian in July amounted to 61,215 long tons, giving a total of 346,800 long tons during the first seven months of 1956.

GROUNDNUT CULTIVATION

The All-India First Estimate of Groundnut, 1956-57 puts the current year's area at 8,955,000 acres as against the corresponding adjusted estimate of 7,721,000 acres for 1955-56 according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 1,234,000 acres or 16 per cent in area during the current year as compared to last year.

Increase in area during the current year has been shared by almost all the Groundnut growing States, especially, Saurashtra, Hyderabad, Madhya Bharat, Andhra and Bombay and has been attributed to favourable weather conditions at the sowing time. This increase in acreage has, however, been off-set to a small extent by decreases reported by Mysore, Bhopal and Madhya Pradesh. The information given in this Estimate covers the period generally up to the end of July, 1956. Till then, the condition of the crop was reported to be generally satisfactory. The Estimate does not cover the entire area sown under groundnut crop during 1956-57. Past experience has shown that the area at the First Estimate stage forms roughly 60 per cent of the area of the crop finally reported.

Company Meeting

JAY ENGINEERING WORKS LTD.

SIR SHRI RAM REVIEWS

ALL-ROUND PROGRESS

The following is the text of the speech delivered by Sir Shri Ram, Kt., Chairman of The Jay Engineering Works Ltd., at the Annual General Meeting of the Shareholders of the Company held at Calcutta on the 14th September, 1956.

Gentlemen,

With your permission I will take the Balance Sheet and Profit and Loss Account and the Directors' Report as read.

We are meeting almost after a year, and I am glad to say that the past year has been of continued greater success and greater service, which is evident from the figures given below:

Particulars	Year ending 31st March, 1955	Year ending 31st March, 1956
Sales	Rs. 2,23,95,049	Rs. 3,05,31,764
Profits	" 18,78,517	" 27,26,497
Payment to Labour	" 54,27,552	" 63,52,919
Number of Workers	2,639	" 2,934
Number of Usha Embroidery and Tailoring Schools:	120	150
And Students	8,000	11,000

INCREASE IN PRODUCTION

The average of monthly production last year of Sewing Machines was 9,026 Nos. and the highest in one month was 12,012 Nos. as compared to the monthly averaged of 6,476 Nos. in the previous year and the highest of 9,241 Nos. in a particular month. The average production of Electric Fans last year was 6,939 Nos. as compared to 4,478 Nos. in the previous year.

During this year the Directors decided to discontinue the manufacture of Hurricane Lanterns. The building and most of the machines have been utilised for other purposes.

The Bhela Enamel factory has been shifted to Chhindwara and has started working there.

I told you last year that the definition of Section 23A of Indian Income Tax Act was so modified, as to create serious difficulties, in paying back our loans, even to the Industrial Finance Corporation of India. We had applied for exemption. So far no decision has been arrived at.

EXPANDING ACTIVITIES

Last year I said that we intend to produce a Table Fan and sell it for about Rs. 60. I am glad that these Fans have been put on the market. We hope within the next few months to put a 36" Ceiling Fan on the market for about Rs. 100.

I am glad to say that we have acquired about 75 Bighas of land at a distance of about 3 miles from our present site, at a cost of roughly about Rs. 4 lakhs. We have already built the necessary roads, boundary wall, and a bridge, and covered an area of about 1½ lakh sq. ft. The machinery is being shifted there, and it is hoped that by the end of December we will be making there about 6,000 fans per month, in addition to about 8,000 fans in the existing factory. The Fan Section will be completely shifted to the new site by next year, when we hope to be making about 25,000 Fans a months.

During the year the Government of India have been good enough to give us licence for expansion of the Fan Factory capacity from 10,000 to 26,500 Fans per month and of the Sewing Machine factory from 10,000 a month to 25,000 a month.

For the expansion of these factories more finance was required, and the Industrial Finance Corporation of India have kindly sanctioned another loan of Rs. 30 lakhs.

Orders have already been placed for machinery for the expansion of the Fan Factory, and the balancing of the existing Sewing Machine factory.

The Needle Plant has been shipped from Europe and we hope that before the end of this financial year it will be in full swing.

A four storied building has been put up for housing the Tool Room, Design Office, Development and Research Dept. and Training School, etc.

RAW MATERIAL PRICES

Although due to increase in the price of various raw-materials the cost of raw-materials of Sewing Machines has gone up by over 20 per cent and of Fans of over 10 per cent, we are, however, selling these at the old prices and have not increased the rates.

I have to point out that very great difficulty is being experienced since some time on account of very poor and unstable quality of the Pig-Iron and of Hard-Coke.

The Government of India recently announced its policy about uniformity in the prices of Steel and Pig Iron of both Indian and imported. While this has helped the industries which are away from port towns and is welcome, but so far as the exports are concerned, I would suggest that on the engineering goods exported, the prices of raw-materials, whether Pig Iron or Steel, should be charged on the basis of the indigenous prices.

While the difference in cost to the Pool will be negligible it will be a great help towards export of these goods.

COMPLEX PROCEDURE

While the Government of India have been good enough to accept the principle of a draw-back of custom duty on goods exported, but the procedure is so complicated and so difficult that it is almost impossible to get any refund. It entails a lot of work for the Government without doing any good to the industry. I, therefore, suggest that it should not be very difficult to devise an ad-hoc basis the amount of draw-back duty paid on such articles as are exported, whether they are Fans, Sewing Machines or Oil Engines or any other items. This would very considerably reduce the complicated procedure, which is being followed now, and make it possible for the industry to get the Draw-back-Duty amount.

EXPORT TRADE

We, Industrialists, owe a duty to our country in helping it to secure as much foreign exchange as can be possible. I feel that there is room for considerable increase in the export of general engineering goods. The markets should be explored for proper assessment and every effort made to increase the exports.

Like various other countries, it would be a good thing if the Government of India called a Conference of Railways, Industry, Trade, Labour, etc., to seriously consider as to how exports could be encouraged and helped. I do hope that the authorities will give the suggestion of mine due thought.

I am conscious of the small contribution at present of the general engineering industry to our export trade, but I am sure that in our national drive to conserve and augment our foreign exchange resources, we cannot afford to neglect even a small contribution, and I am equally certain that there is very great scope for proper encouragement and for the export of engineering goods.

HIGH EARNINGS OF LABOUR

The earnings of our workers are steadily going up, and for the last year they received in the shape of Puja Bonus and Profit Sharing an amount equal to 5½ months wages, which is the highest in India.

A few years back we started giving work to poor families and refugees outside the factory. It helped them in making good living. In other places men skilled or unskilled find employment, and the number of such people has greatly increased and may be in the neighbourhood of about 1,500 working outside our factory premises.

We are also going ahead with our policy for recruiting educated people. In the previous year we had 358 Matriculates and now on 31st August, 1956 we have 600. We think the scheme has been very successful.

In the end, I have pleasure in conveying my thanks to and my appreciation of the work done by all my colleagues.

After the speech of the Chairman, the Audited Accounts of the Company for the year ended the 31st March, 1956, were passed. A dividend of 10 per cent, free of Income-tax was declared in respect of the equity or ordinary shares of the Company.

Thereafter the following resolutions were passed unanimously:

1. As Ordinary Resolutions:

- Mr. L. P. Singhanian and Mr. M. G. Bhagat, who retired by rotation, were re-elected as Directors of the Company
- M/s. H. P. Khandelwal & Co., Chartered Accountants, were re-appointed Auditors of the Company for the year 1956-57 at a remuneration of Rs. 20,000.
- Declaring that the age-limit prescribed in section 280 of the Companies Act, 1956, shall not apply to Shri D. N. Sen.
- Approving and consenting to the renewal of the agreements and/or appointment of 146 Sole Selling Agents in India and abroad, a list whereof was included in the notice to the shareholders;
- Consenting to the Board of Directors contributing and/or subscribing amounts to any national, political, charitable, benevolent, public, general and other funds, not directly relating to the business of the Company or the Welfare of its employees, the aggregate whereof in any financial year may exceed Rs. 25,000 or 5 per cent of the average of the Company's net profits during the immediately preceding three financial year; whichever is greater; and
- Providing that various books, registers and documents of the Company shall be kept open for inspection by shareholders and others during certain hours.

2. As Special Resolutions:

- Electing and appointing Mr. M. G. Bhagat a Director of the Company and approving the appointment of Mr. D. N. Sen, Shri K. L. Poddar and Shri B. K. Rohatgi as Directors of the Company, and providing that the said gentlemen do continue as Directors until they retire.
- Authorising the Managing Agents and the associates of the Managing Agents to retain commission and other remunerations, etc., in terms of section 359 of the Companies Act, 1956; and
- Approving the contracts which are or may be entered into between the Company and India Electric Works Limited, for supply of goods by the latter under section 360 of the Companies Act, 1956.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

Wholesale Prices (General Purposes Index)* Year Ended August 1939=100							Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	381.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56 ..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
January 1956 ..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February .. c ..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March .. c ..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	86.8	122.0
April .. c ..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May .. c ..	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June .. c ..	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July .. c ..	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	86.3	125.2
August .. c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
Week Ending 21-7-1956 ..	382.3*	493.2*	394.0	386.0	560.8	409.9*	91.1	100.4	85.2	125.7
28-7-1956 ..	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.3
4-8-1956 ..	391.5	493.2	400.4	385.7	563.7	413.8	91.0	100.3	85.2	126.7
11-8-1956 ..	397.7	497.4	405.0	387.2	567.0	417.9	90.9	100.3	85.4	127.0
18-8-1956 ..	401.1	505.1	409.5	388.0	564.6	421.1	90.8	100.4	85.3	127.9
25-8-1956 ..	397.9	506.6	411.1	389.8	565.0	421.0	90.7	100.3	85.0	128.5
1-9-1956 ..	395.9	510.7	410.3	391.2	564.8	421.5	90.7	100.3	84.9	128.6
8-9-1956 ..	395.5	508.3	408.6	391.4	552.4	420.4	90.7	100.3	88.7	126.9

*Economic Adviser's Series.

*Average of weeks.

Revised*

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1943	268	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	267	132	349	434	372	153	325	165	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 October	315	331	225	134	334	385	369	134	333	139	139	134
November	314	330	229	136	339	392	369	138	337	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
January	318	334	226	139	319	404	378	146	334	147	138	133
February	321	337	224	137	315	394	385	142	333	146	132	133
March	334	350	230	139	325	398	387	145	340	148	143	136
April	342	358	239	140	338	409	397	—	354	—	—	143
May	341	357	236	141	342	408	397	—	356	—	—	143
June	342	358	240	141	350	419	—	—	365	—	—	146
July	338	354	244	144	365	436	—	—	369	—	—	—
August	—	—	—	147	—	—	—	—	372	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	21-9-1956			14-9-1956			7-9-1956			31-8-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	102-8	102-13	103-1	103-5	102-10	103-11	103-10	102-6	103-1	103-11	103-7	102-14
Silver (per 100 fine tolas)	173-1	172-3	172-9	174-15	171-14	172-15	174-13	172-4	173-10	173-9	170-13	171-12

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,242,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)				(90)			(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,92	56.47	102,25	428,61	1,219,17
1955-56*	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,88	553,20	1,356,47
Average of Fridays										
February 1956	1,402,42	9,14	1,411,56	40,02	663,40	703,43	49.83	104,90	603,24	1,411,56
March	1,446,41	11,13	1,457,54	40,02	676,87	716,89	49.20	103,18	637,47	1,457,54
April	1,509,33	15,96	1,525,29	40,02	682,69	722,71	47.38	106,38	696,21	1,525,29
May	1,516,70	13,36	1,530,06	40,02	681,45	721,47	47.15	104,89	703,91	1,530,06
June	1,496,50	22,32	1,518,82	40,02	662,53	702,55	46.25	105,59	710,68	1,518,80
July	1,465,35	21,91	1,487,26	40,02	624,16	664,18	44.51	109,49	718,59	1,492,26
August	1,440,10	27,31	1,467,41	40,02	610,68	650,70	44.34	114,06	702,60	1,467,41
Week Ending										
17-8-1956	1,445,44	23,65	1,469,09	40,02	606,68	646,70	44.02	113,77	708,62	1,469,09
24-8-1956	1,431,62	24,05	1,455,66	40,02	606,68	646,70	44.43	115,26	693,72	1,455,66
31-8-1956	1,424,51	32,63	1,457,15	40,02	606,68	646,70	44.38	116,74	693,72	1,457,15
7-9-1956	1,440,18	16,25	1,456,43	40,02	596,74	636,76	43.72	116,03	703,65	1,456,43
14-9-1956	1,432,45	25,09	1,457,49	40,02	596,74	636,76	43.69	117,08	703,65	1,457,49

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total								
1938-39*	14,90	...	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	6,36	90
1947-48*	3,66,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53
1948-49*	222,17	6,62	80,83	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65
	(14,33)	(3,04)									(1)		4,14
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72
1951-52*	181,39	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,00	19,42	95,19
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58
1954-55*	89,12	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,06	1,73	36,99	49,36
Average of Fridays													
February 1956	61,12	13,65	56,38	15,85	147,00	49,59	206,59	9,27	3,50	72,81	3,41	53,41	49,71
March	57,51	37,22	49,25	16,93	169,51	48,99	220,30	11,26	9,53	65,31	1,60	73,88	39,44
April	56,21	30,15	52,14	17,16	155,66	48,82	214,48	14,64	13,35	54,43	1,34	65,52	45,55
May	61,44	10,27	50,36	13,04	135,11	53,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02
June	56,43	8,33	51,92	12,97	129,65	57,81	197,46	22,42	8,94	31,55	3,94	73,96	37,75
July	66,46	8,06	52,39	12,23	139,15	57,81	196,96	27,03	5,24	43,55	4,02	63,43	45,80
August	59,23	5,89	52,87	12,16	130,15	54,03	184,18	27,30	2,52	31,39	7,02	57,43	40,83
Week Ending													
10-8-1956	54,04	9,38	51,04	11,88	126,35	59,32	185,67	26,04	98	32,02	7,08	63,85	49,41
17-8-1956	53,72	5,58	53,44	11,92	124,66	61,18	185,84	23,81	2,33	34,39	7,30	60,79	50,12
24-8-1956	61,58	5,70	55,44	12,50	135,23	44,90	180,13	24,24	3,00	28,79	7,64	54,98	50,13
31-8-1956	65,77	2,91	56,56	12,27	137,50	46,08	183,58	32,03	3,87	24,94	8,06	52,16	50,12
7-9-1956	58,86	16,73	56,16	18,01	149,75	50,29	200,04	16,40	6,15	34,22	5,32	74,51	51,81
14-9-1956	73,41	19,54	53,72	14,39	161,06	48,86	209,92	25,20	5,96	33,14	5,07	76,73	52,19

Note: Figures in brackets relate to Pakistan. **Incl. des Rs. 5 crores each on account of capital paid-up and Reserve Fund, National Agricultural Credit (Long-term Operation) Fund of Rs. 10 crores from Feb. 3, 1956 and of Rs. 15 crores from July 6, 1956 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956. *Average of Fridays.

†Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	...
1947-48*	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	...
1948-49	674,66	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	...
1949-50	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	...
1950-51	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	...
1951-52	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	303,48
1952-53	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	305,34
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	62.08	339,74
1955-56	608,64	407,93	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,70
Average of Fridays										
March 1956	622,44	415,29	1,037,72	34,83	48,43	8.10	589,55	144,16†	71.41	356,65
April	649,02	423,19	1,073,81	37,74	50,99	8.34	604,85	150,65†	71.04	393,43
May	638,35	432,68	1,071,01	37,76	48,68	8.15	614,22	153,14†	71.82	354,97
June	636,61	446,93	1,083,54	37,96	49,77	8.18	612,94	151,64†	71.20	348,65
July	639,21	454,34	1,080,70	37,76	49,95	8.11	603,33	143,82†	69.16	349,38
August	645,58	460,20	1,105,80	36,85	50,32	8.02	593,16	144,00†	67.82	361,50
Week Ending										
17-8-1956	644,76	460,02	1,085,73	37,62	50,41	8.11	594,67	141,78†	67.82	361,22
24-8-1956	654,47	461,91	1,096,37	37,53	50,72	8.05	591,81	144,19†	67.13	362,02
31-8-1956	654,74	461,32	1,096,13	37,58	51,67	8.14	587,70	147,45†	67.07	361,42
7-9-1956	639,44	459,04	1,086,41	35,51	53,24	8.17	616,72	141,73†	69.81	366,38
14-9-1956	639,14	460,57	1,086,31	37,28	51,09	8.13	612,51	139,28†	69.21	371,14

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,764,71	1,199,25	565,46	548,95	16,51	- 39,08
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+ 126,65
1955-56 ..	2,184,32	1,505,00*	679,23	667,22	12,01	+ 263,69
June 1955 ..	1,988,42	1,343,74	644,67	623,43	10,03	+ 1,87
July ..	1,974,91	1,324,80	650,11	619,53	10,39	- 22,48
August ..	1,995,61	1,314,74	680,88	632,86	11,60	+ 4,47
September ..	1,995,61	1,309,69	684,71	632,36	11,70	- 5,43
October ..	2,000,00	1,331,40	677,08	635,72	11,12	+ 24,46
November ..	2,014,88	1,351,24	663,64	640,40	10,81	+ 24,82
December ..	2,047,15	1,385,87	661,28	650,14	11,14	+ 44,69
January 1956 ..	2,094,21	1,407,67	686,55	674,12	12,43	+ 47,06
February ..	2,108,97	1,435,69	673,28	661,97	11,31	+ 14,76
March ..	2,184,32	1,505,09	679,23	667,22	12,01	+ 75,35
April ..	2,228,11*	1,538,18*	689,93*	677,43*	12,50	+ 43,76*
May ..	2,225,98*	1,539,30*	686,68*	676,06*	10,61	- 23,13*
June ..	2,192,28*	1,504,98*	687,30*	676,14*	11,16	- 33,70*

EARNINGS AND EXPENSES OF INDIAN SCHEDULED BANKS, 1950 TO 1954

(Rs. lakhs)

	1950	1951	1952	1953	1954	1955
Number of Banks	71	72	73	68	70	69
EARNING						
I. Interest, dividend, commission and exchanges earned on:						
(a) Bills purchased and discounted	15,13.5	2,15.8	2,36.0	2,68.4	3,39.1	3,64.5
(b) Loans and advances		16,00.6	17,01.6	17,34.7	17,82.4	19,60.3
(c) Investments						
(i) Government securities (Central and State)	8,11.0	8,74.3	6,84.3	7,54.3	8,09.5	9,00.9
(ii) Others	81.3	98.0	94.5	83.6	1,07.9	1,16.0
(d) Deposits with Banks	2.9	3.2	10.4	7.6	8.7	16.0
II. Other sources (commission on bills for collection, T. T's and D. D's sold and service charges)	4,88.3	6,31.2	6,14.5	5,77.5	6,59.7	7,76.0
III. Total current operating earnings (Total of I & II)	28,97.0	32,21.1	34,31.3	34,26.1	37,07.3	41,23.7
IV. Recoveries on assets previously written off and gains from other revaluation of assets	13.2	6.9	6.0	7.4	11.4	21.7
V. Total earnings (Total of III & IV)	29,10.2	32,28.0	34,38.2	34,33.7	37,18.7	41,45.4
EXPENSES						
VI. Interest, commission and brokerage paid on:						
(a) Deposits	6,26.6	6,77.9	7,85.3	8,90.6	9,93.3	11,78.1
(b) Borrowings	48.4	89.5	1,04.6	60.2	90.5	62.4
(c) Other accounts	8.1	12.1	16.2	14.1	21.6	24.5
VII. (a) Establishment Expenses	11,24.8	11,98.6	12,84.3	13,25.9	14,09.3	16,04.4
(b) Other working expenses	3,96.3	3,96.4	4,00.6	4,06.5	4,18.4	4,43.7
VIII. Taxes and dues of the nature of operating expenses (municipal charges on land and buildings, district local board rates paid, etc., but excluding taxes on profits)	33.4	34.7	40.0	30.7	40.3	45.4
IX. Total current operating expenses (Total VI to VIII)	21,80.5	22,99.2	26,30.4	27,34.0	28,72.0	33,02.5
X. Depreciation written off and loss incurred in sale assets	71.3	87.9	64.1	48.0	43.1	48.3
XI. Total expenses (Total of IX & X)	22,51.8	24,77.1	26,94.5	27,82.0	29,15.1	34,08.8
Disposal of Net Profit and Accumulated Surplus						
XII. Source of sums made available:						
(i) Balance of net profit or Loss (—) before taxes	6,58.4	7,50.9	7,43.7	6,51.7	7,03.6	7,39.6
(ii) Surplus or deficit (—) brought forward from preceding year	63.7	70.2	51.6	83.4	70.0	66.6
(iii) Taken from reserves	21.5	2,30.1	20.8	9.1	20.5	7.6
Total	7,43.6	8,51.2	8,16.1	7,44.2	7,94.1	8,30.8
XIII. Allocation of sums made available:						
(a) Provision for taxes on profits	1,64.5	1,65.9	2,05.3	55.5	175.2	1,74.6
(b) Carried to reserves	63.7	59.2	62.6	46.8	63.3	81.7
(c) Dividend, bonuses, (etc., to shareholders)	2,45.9	2,50.2	2,56.3	2,55.8	2,62.0	2,74.8
(d) Employee's Share (bonuses) in profit	1,07.1	1,07.1	1,07.2	98.3	1,06.5	1,14.7
(e) Allocated to other special purposes	1,07.1	4,40.5	1,57.0	1,16.3	1,00.7	1,01.2
(f) Balance carried forward to next years account	52.9	18.3	27.7	71.5		83.8
Total	7,43.6	8,51.2	8,16.1	7,44.2	7,94.1	8,30.8

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ONE RUPEE.

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Wanted: A Policy for Capital

THE Stock Exchanges of Calcutta and Bombay have registered this week a significant set-back, the meaning of which is not entirely clear. It is quite true that the limitation on dividends of the Indian Iron and Steel Company means that the return available immediately to shareholders is much lower than the normal rate of interest on sound equities. It is likely that this decision will also apply to Tisco, as there is no reason to suppose that the Government can discriminate between the two companies, when the principle it implies

is that the companies aided by the public sector in this manner must submit to a higher degree of capital formation than is deemed proper for companies in general. This, however, is no new philosophy or new procedure. This is not the first time the Government's decision has been proclaimed, and it is a little unreasonable for share markets—which had no reason to believe that Government would change their view—to retreat merely because a leading counter is not being treated differently from the manner it was

treated last year. The recession in cement shares is more understandable since the reduction in prices involves inevitably a substantial limitation in profits. On the other hand, the position of textiles has stabilised itself after the new excise and, while cloth policy remains uncertain, the fact that no sales resistance can be encountered to the point of endangering sales over a long period is a bull point against possible price falls as a bear factor. It thus seems that the share markets' fears in the week have been somewhat more than a rational assessment of the new factors involved would suggest. What are the consequences of this hesitation in the investment market?

Almost certainly a reduction of incentives of capital formation at this time — real or imaginary—will imply one of two things, either a movement of funds to the public sector with investments in Government securities, or a retreat from capital formation altogether into consumption. Neither of these developments at the present time can be welcomed by the Government. For the current year the public sector has already got in loans more than it has planned, and it does not contemplate additional receipts except under small savings. There is no likelihood of large money retreating from the Stock Exchanges going into small savings. Therefore, it may well be that the first effect of a decline of investment activity in the Stock Exchanges will be either idle money or increased consumption. Increased consumption is the one thing which is detrimental both to the short-period and long-period needs of the Plan. The Plan in any case provided for capital formation at a significantly higher level than has obtained in the last five years. How is this rate of capital formation to be ensured if the Government of India persists in a policy which prevents the Stock Exchanges from encouraging investment in good equities?

This is really a major question of policy to which the Finance Minister will need to address himself very early. He needs a policy for capital as well as a policy for prices. It may be conceded that his efforts to reduce prices have been more determined in the last month than ever before; the situation was grave enough to merit the attention that he has given it. There may, indeed, be complaints about the injustice of operation of some of these measures, particularly in respect of their effect on marginal units engaged in textile production. But, by and large, the Finance Minister's price policy should receive full support; where it has been hard, it has also been necessary; and we can live only in the best of all possible worlds. Can the same thing be said for his operations in so far as the effect on the capital markets of the country is concerned?

To do the Finance Minister justice one should say at once that, while he has induced an element of doubt in the Stock Exchanges of the country, he is more alive than any of his predecessors to the need of active steps to provide an inducement for foreign capital to enter this country. The rate of compensation on nationalisation of the Kolar Gold Fields in Mysore is essentially to be attributed to his imaginative handling of the foreign capital outlook. It will be remembered that the Mysore Government has over a period of nearly eighteen months displayed several figures as a basis for negotiation. Working originally with the figure of Rs. 50

lakhs—which could not have been seriously meant—the Mysore Government worked its way up to Rs. 87 lakhs in the first instance, and then to Rs. 1.19 crores which it described as a 'firm' figure. Thereafter an intermediate figure of Rs. 1.38 crores was mentioned. It is now to the credit of the Central Government—and the Mysore Government which has with some reluctance accepted the Central Government's advice in this matter—that a figure of Rs. 1.64 crores by way of compensation has been fixed. This is a fair and reasonable figure, which should satisfy all foreign investors that the present Government of India treats foreign shareholders in this country with justice and understanding, notwithstanding the absence of a specific provision in the Constitution to make issues of this kind justiciable. It would seem that Mr. T. T. Krishnamachari proposes, as few Finance Ministers have done in the last few years, to make a fresh approach to the capital markets of the world, to assure them by deeds, and not by mere words, that foreign capital will be treated with reason and justice.

While the Finance Minister has thus been notably successful in averting a decline of confidence abroad, he cannot yet be said to have implanted in the domestic field any incentive for additional capital formation. It is all very well to preach restricted consumption. But if the price for saving and the return on saving are not adequate, the Finance Minister, who has a clear business conception of consumer behaviour, will know that his counsel will fall on stony ground. Something needs to be done clearly to assist in the processes of capital formation at home which — one needs to remind oneself — is at least ten times the volume of foreign capital likely to be obtained from abroad.

In addition to the set-back on stock prices this week there is a substantial psychological obstacle which has risen from fears that a Capital Gains Tax—a la Kaldor—will be introduced next March. If the Finance Minister is determined, as rumours have it, to introduce a capital gains tax then he cannot be surprised if an investor asks, in lieu of non-taxable capital appreciation thus cut off, a higher return on risk capital. The current long-term rate of interest also takes no account of the sudden rise in demand of short-period liquid funds by persons without adequate collateral security. The rate of interest on such loans is as high as 12 per cent, implying that there is quite severe pressure on these funds. Making it more difficult for 'big' business to get new capital from the Stock Exchanges will mean further pressure on liquid funds now used as working capital. A policy needs to be devised for the small business which gets more hard-pressed every day. There is a substantial provision for small-scale industries in the Plan but almost no detailed attention has been given to the problem of capital requirements in the short period. Many small businesses are in danger of extinction because of money stringency.

It is clear that the time has come for facing squarely the tightness in the money markets of India as well as in the unorganised sections of small business in the country. The first week of October is an appropriate time for this consideration, as the busy season is about to commence and finds us more unready than ever. Will not the Finance Minister turn his fertile and active mind in this new and exacting direction?

The Fund-Bank Meetings

THE annual meetings of the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, concluded last week, were invested with considerable significance. Not that the occasion of the completion of the first decade of active operations of the two Bretton Woods institutions was seized during the debate to take stock of progress achieved, of expectations realised and of shortcomings revealed. Important though such a review could have been, the last ten eventful years have witnessed wide variations in the economic climate in different regions of the world as to make the appraisal deficient in coherence and removed from intimate bearing on the live problems which preoccupy their attention. The relative relaxation in international trade notwithstanding, progress towards multilateralism is still slow, payments disequilibria continue to recur, inflation is a potential problem with Western countries which have seen a slackening in the rate of their industrial growth, while underdeveloped countries find a prospect of set-back to their exports as they get ready to embark upon programmes of development. Altogether, the need for assistance from the Fund and the Bank has become all the more pressing for the latter.

The Bank has undoubtedly emerged as a powerful instrument for development and its record in the past ten years demonstrates its onward march in rendering effective aid. Last year's operations show an impressive volume of lending of the order of \$396 million with a peak in net income at \$29.2 million. The loans were distributed over twenty-six deals in twenty countries. Over the decade, aggregate loans have reached the level of \$2,720 million granted for the benefit of forty-two countries to finance 150 projects. A most singular feature of the ten years' operations has been the complete absence of any default in repayments which speaks as much for the Board's insistence on application of sound banking policies as for the borrowers' businesslike behaviour. Austerity in management has been displayed by a remarkable build-up of reserves of the order of \$228 million which are in excess of 10 per cent of the effective loans of \$2,001 million now standing to the credit of the Bank. Of the total reserves, 34 per cent or \$77 million have accrued from the special reserve constituted out of receipts of the guarantee commission charged on outstanding loans at the rate of 1 per cent.

This precisely was the target of concerted criticism from the delegates of the underdeveloped countries. These countries have refrained from making any grievance about the quantum of assistance from the Bank and on the contrary there is recognition of the fact that an increasing share of the benefit of the Bank's loans is now being awarded to them. India, for instance, is the recipient of the largest single loan in the history of the Bank for an industrial project — the \$75 million loan to Tatas made last year — and her eight loans to date amount for \$215 million, or 7.9 per cent the Bank's aggregate loans of \$2,720 million. The urgency of these countries for loans of larger magnitudes to finance their development plans will inevitably induce them to fall back on the Bank's resources.

While it is certainly not their case that the test of readiness to raise domestic resources by

way of taxation and savings as well as capacity to hold likely inflationary pressures in control should be disregarded, the choice of rapid development forced on them by the Communist challenge throws an obligation on the Bank to help them on a bigger scale than hitherto. The cost of loans is a vital ingredient in their burden of development and it is frankly their demand that the interest charges levied ought to be reduced. The issue of interest rates have been aggravated by the general rise in money rates in the principal capital markets with which the Bank's rates are linked by reason of its own cost of borrowing at the crucial time of granting the loans. Long-term rates for periods exceeding fifteen years have been raised by 1/4 per cent to 5 per cent, while rates for shorter periods have been increased to 4 1/2 per cent—an increase of 1/4 per cent for medium periods of 10 to 15 years and of 1/2 per cent for periods up to 10 years. The Bank's commission of 1 per cent is an important element in these high rates and it is an element which admits of via media for positive relief. When reserves against losses have been built to a solid ratio of 10 per cent, there is every force in Sir B. Rama Rau's contention that further adherence to over-cautious conservatism is hardly vindicated and credit ought to be made less costly by elimination of the levy of the commission.

The Fund's Survey of the payments picture underlines the importance of certain trends despite the fact that movement towards multilateral trading continues to be more progressive. The Fund's concern with free convertibility of currencies is not difficult to appreciate, but in the context of the state of that 'crucial element' in convertibility — the pound sterling — it must be accepted as a deferred goal. Primary producing countries, now faced with adverse terms of trade, have derived limited benefit from the expansion of world trade and their capacity for having strengthened their payments position is apt to be exaggerated. The US policy on release of surplus farm products has now taken an enlightened and disciplined form. Payment of 60 per cent of the price in domestic currencies and time granted for actual payment by conversion of substantial portions of value into development loans are facilities intended to prevent strain on their resources and to help build buffer stocks against inflationary impact in a strategic point.

The Fund's showing in the last year has not improved the quality of its performance and there is hardly any warrant to modify the verdict of unfulfilled hopes which its operations have invited. The gap between its income and expenditure has kept on widening and the deficit has increased from \$0.02 million in 1954 to \$3.66 million in 1955. Reversing the original anticipations, the Fund has not only revealed shortfalls but proved itself a weakling in the company of the healthier twin. The special stand-by credit arranged two years back has remained unutilised, currencies purchased from its reserves stood at \$39 million in 1955 against repurchases of \$272 million and idle funds are seeking investment in US Treasury Bills. Paradoxically, the Fund has tended to grow into a consumer of dollars. Underdeveloped countries, including India, which would need temporary devices to tide over payments difficulties would be right in expecting assistance from the Fund's ample reserves at cheaper rates.

An Industrial Plan for Uttar Pradesh

THE fact is not generally known—at any rate in Madras which nurses the grievance that its industrialisation has all along been neglected—that Uttar Pradesh, the premier State of the North, is a by-word for industrial backwardness, notwithstanding its impressive quota of sugar, textile, leather, glass and oil factories. This sprawling State of the Gangetic valley, with a population nearing 70 million, has just under 1,600 licensed factories (as of 1954) as against nearly 2,800 (excluding mining establishments and tea plantations) in West Bengal, nearly 8,000 in Bombay and 6,400 in Madras. Whereas the U.P. factories employ only about two hundred thousand people, the factories in Bombay, West Bengal and Madras provide employment to eight hundred thousand, six hundred thousand and three hundred thousand people respectively. Although the population of U.P. is nearly twice that of present-day Bombay and two-and-a-half times that of West Bengal, the population engaged in industrial production is distinctly less than in the two latter States.

These, however, are not the only disquieting facts about the Gangetic State—facts which have been spotlighted by the official fact-finding committee under the chairmanship of Mr. B. M. Birla. The Birla Committee—whose full report is not yet available—has also given a comparative account of the rate of increase in the employment of productive capital in 28 industries in U.P. and other States. This rate has been the lowest in Uttar Pradesh, with productive capital employed therein increasing from about Rs. 64 crores in 1948 to only Rs. 77 crores in 1952. On the other hand, the capital employed in Bombay has increased from Rs. 158 crores to Rs. 238 crores, in West Bengal from Rs. 128 crores to Rs. 158 crores, in Bihar from Rs. 48 crores to Rs. 93 crores, in Madras from Rs. 48 crores to Rs. 74 crores, and in other States from Rs. 36 crores to Rs. 91 crores.

Most of this increase in productive capital took place in the period 1948 to 1952 when government investment in industrial enterprises was not much in evidence. The increase was mostly in the private sector which registered striking progress in all other States except Uttar Pradesh. There have been some uncongenial factors in the latter State, and these are also spotlighted by the Birla Committee. The basic deficiency, of course, is that sufficient capital is not available. Even the available capital is not adequately used, and the Government seriously competes with private enterprise in the slender money market. And there is no sizable money market in U.P. because of lack of strong financial institutions and active stock exchange. Even the established industries, subjected to a decline in their earnings, are unable to plough back profits to any significant extent for modernisation and expansion. And the existing industries have to face a number of difficulties—namely, high rates of electricity as compared to rates in Ahmedabad, Bombay and Calcutta, frequent booking restrictions on the movement of goods from manufacturing centres in U.P. to consuming centres, inadequate road transport facilities, higher rates of sales tax especially in the case of vegetable oils and vanaspati, etc.

These deficiencies and difficulties are sought to be remedied by the Birla Committee's recom-

mendations which, if implemented by the U.P. Government, may well place the State more prominently in the country's industrial map in the next five years. These recommendations, although the arguments on which they are based are not yet known, do convey an impression of realism and reasonableness. They are designed to make possible a minimum investment of Rs. 100 crores—by no means an ambitious target—in the private industrial sector of the State during the second Plan period. The industries that would come under the investment programme are cotton spinning and weaving, rayon and staple fibre, woollen manufacturing, sugar, industrial alcohol, paper and board, cement, structural fabrication, railway rolling stock, electrical equipment and other light engineering industries. The Government, for its part, would not have to find funds for the private sector for more than a fourth of the suggested outlay. This the State Government could do, as in Mysore and Travancore-Cochin States, by subscribing to the shares of individual enterprises or, as the Committee suggests, by advancing loans up to 50 per cent of investment on block in the form of mortgage debentures repayable in a certain number of years. The Government could recover the funds as industrialisation gets accelerated and also then sell out its shares and utilise the proceeds to help other industries. Incidentally it may be noted that whereas the Industrial Finance Corporation of India has advanced to 11 units in different industries in U.P. as much as Rs. 9 crores in the period 1948-55, the State Finance Corporation has granted meagre loans totalling Rs. 3.6 lakhs only in 18 months up to March 31 this year. If the U.P. Finance Corporation liberalises its security clauses in the matter of granting loans and also underwrites the shares of industrial undertakings, the position may change for the better.

Three-fourths of the suggested outlay would still have to be found by the private sector itself. One of the sources indicated is to be found in the Government's willingness to encash Zamindari abolition and rehabilitation grant bonds earlier than their maturity dates on the condition that the money so paid would be diverted to the establishment of new industries. Whether the State Government could do this is not known, but it may be possible to encash in the coming five years at least a fifth of the bonds whose aggregate value is Rs. 130 crores. Another promising source of finance is the agriculturist with a bigger landholding and thus a larger marketable surplus. As nearly three-fourths of landowners in U.P. hold only under a fourth of all cultivated lands, it should be possible to attract the surplus funds which are indubitably available with a certain section of the remaining 25 per cent of agriculturists. If it is repeatedly possible in Madras to attract similar surplus funds to government loans, it should be possible for entrepreneurs to succeed in U.P. if they are encouraged to start factories in suitable districts. Not all the difficulties have been described and it may be that finding Rs. 100 crores will be much more difficult than it looks. But at any rate, the U.P. Government seems to be setting out with a will. It may be that now that a framework has been prepared both capital and entrepreneurship will come quickly to fill in a promising picture.



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THE WEEK'S NOTES

OCTOBER SECOND

HE SHOULD be a cynic who says that the Second of October is no more a day of national introspection or of re-dedication to Gandhian goals. But it happens sometimes, as it does in this case, that cynicism and truth are not mutually exclusive, for between the deification of Gandhi and the inexorable Statist trend anything like a genuine resurrection of Gandhian values is becoming next to impossible. Vinoba's great effort notwithstanding. That Gandhiji, like Buddha before him, did not want to be deified, has in no way discouraged his followers from confining him to 'mandaps' which, of course, are yet not as numerous as the temples dedicated to the gods and goddesses of the Hindu pantheon. That Vinoba, like Gandhi before him, has to swim against the current, does in no way minimise the vigour and vitality of a basic social trend either. A Masani may dislike it and a Santhanam may welcome it, but they are in a way agreed that it is likely to throw up a social order in which an entrenched minority — the professional politician in alliance with the bureaucrat, the manager, the technocrat and the army man — would be lording it over the toiling majority. There is a Gandhian answer and a Gandhian remedy — a liberal-political solution, incompatible though it be with that part of the Gandhian school of economic thought emphasising de-institutionalised activity — but, alas, Gandhians today are a poor match for the indefatigable technicians in political power. It is sad to reflect that October Second is fast losing its significance, but it is true.

WOMAN IN POLITICS

IF ACTIVE participation in politics is welcomed, for some reason or other, as a new dimension to woman's life in India, the Congress Party's decision to add a feminine dimension to its grand power scheme would also have to be hailed as a sign of revolutionary progress. But it is not so simple as all that, for the Congress proposal to catapult more women into politics by reserving 15 per cent of its tickets for them in the coming elections could as well be taken as unfortunate. One may readily understand the anxiety of the Congress Party which, having accorded adult franchise, has to recognise that women constitute half the electorate, but one cannot admire its 'tactical move' at a time when there are already more women legislators — who do not appear to have particularly distinguished themselves — in this country than in any other. Why the Soviet Union (which is supposed to have established complete sex equality) and the advanced democracies, in the West (which have accorded adult franchise) have not considered it worthwhile or desirable to subject women to the uncertainties and tribulations of power politics, should be seriously pondered.

Surely politics, being the sordid game that it is, does not lend itself to an even course that a woman always wants. With its illusive romantic attraction for the young of both sexes, it may well wreck the harmony of many a sweet home which a woman alone can make sweeter. This does not imply that a woman should always be confined to her home. With her praiseworthy patience and spirit of service and sacrifice, she has certainly a distinct place in the teaching and nursing professions. She has a place, too, in a whole range of handicrafts and fine arts. But with her practical wisdom — lo! the husband looks at the stars while the wife pours the tea — the woman has a more honoured, nay, a dominant, role to play in the home. Why this sweet innocent creature who, with all her proverbial wiles, has, not unoften, paid dearly for her touching faith in the honesty and disinterestedness of man, should be tempted into politics and corrupted by

power or by prospect thereof, passes one's comprehension.

SMALL-SCALE INDUSTRIES

BETWEEN THE basic and heavy industries on the one hand and the cottage and village industries on the other, the progress of small-scale industries has not been insignificant since 1954. The progress has to be attributed to the International Planning Team of the Ford Foundation whose suggestions the Government of India have promptly implemented. The starting of the four regional institutes for technical assistance to small-scale industries in early 1955, and the opening of small institutes at Ludhiana, Rajkot, Patna, Trivandrum and Hyderabad are the direct outcome of the recommendations of the Team. The establishment of the Small Industries Corporation has also served to fill up a major lacuna. Its primary purpose was to provide the necessary incentive and help to the small industrial units to improve their techniques of production and management and to secure orders from Governmental buying agencies. But it has gradually extended its operations and is now in charge of operating the schemes for supply of machinery on hire-purchase basis, marketing of quality goods produced by the small-scale industries and putting up of two important industrial estates. The corporation is favourably placed to link up small-scale ancillary units making components with larger manufacturers of bicycles, motor cars, machinery and engineering products.

NEPAL'S FIVE-YEAR PLAN

NEPAL'S DRAFT Five-Year Plan, just published, involves an outlay of Rs. 33 crores. The chief object of the plan is to raise production, employment and the standard of living of the people. Its scope is broad as it envisages simultaneous advance on many fronts — agriculture, transport, village development, industry and commerce. The draft envisages a mixed economy with government ownership and operation where it is in the public interest, and with a deal of scope for private initiative in developing a diversified pattern of industrial production. In spite of rich natural resources, the country's handicaps are many, lack of transport facilities, capital equipment and electric power, to mention a few. With just about 300 miles of road and with a target aiming at 4,000 miles in 20 years, it is easy to see that the highest priority has been given to transport and communications, which account for 33 per cent of the total outlay. Again with 95 per cent of the population living in the villages, it is only fair that village development should claim the next largest share of 25 per cent. The agricultural sector of the plan seems to have drawn heavily from the Indian experience and the programme envisaged includes not only agricultural production but takes into account health, education, water supply and housing. The draft expects that transport, communications, hydro-electric and large irrigation projects will be government-owned and operated. The total estimate of Rs. 33 crores, it must be understood, refers to Government expenditure only and does not include investments in the private sector which has been assured treatment and facilities no less favourable than those given to public enterprise.

While trying to avoid leaning heavily on foreign aid, the draft concedes that in the initial period this is very necessary. The deficit in the financial balance-sheet of the plan is large even after taking into account the promised aid from India of Rs. 10 crores (which includes Rs. 480 lakhs of foreign assistance already committed under the Colombo Plan) the sum of Rs. 9.5 crores to be raised from internal resources and the



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Rs. 50 lakhs of economic aid provided by the US annually. The problem of finding the balance of Rs. 11 crores will be undoubtedly difficult and the draft takes into consideration possible foreign aid to meet this deficit. It has, therefore, welcomed foreign capital, especially for developing large-scale industries. It is too early to say if Nepal's relations with China would create difficulties for her planners in the matter of securing foreign aid. Perhaps China herself, like India, may come forward to help Nepal. It is difficult to foresee developments in this regard.

U.K. PLAN FOR NEW TRADING SYSTEM

LAST WEEK-END saw the "leakage" of certain proposals on which the British Chancellor of the Exchequer has been working for an alliance of the Commonwealth with Western Europe involving a new trade and tariff relationship. Dubbed as the Macmillan Plan, its object is to create an effective free trading area covering these two groups of nations, an area that would be able to compete with Russia and America. Mr. Macmillan seems to feel that the growing need is for the formation of capital and this could be done effectively by Europe and the Commonwealth joining together. The Plan would naturally involve lowering of tariffs and sacrifices of imperial preferences but it is not known how the various Commonwealth countries would react to it. It is possible that many of them may not like Britain to leave her old relationship to form a new one, unless its implications are studied thoroughly.

Mr. Macmillan seems to have got the inspiration for his plan from the proposals for a customs union made by the Messina nations, France, West Germany, Italy, Belgium, Holland and Luxembourg. (The name was derived from the venue of the gathering at Messina in Italy). The main advantage claimed for this union is that it would create "a great single market within which industry could be developed to its best economic use, possessed of great bargaining power in its negotiations against outside competition." Mr. Macmillan seems to have enlarged the list of members to include the Scandinavian countries, Switzerland, Austria and the British Commonwealth. The plan is bound to arouse considerable interest in the coming weeks not only in the capitals of Western Europe and the Commonwealth but in the U.S. also. It is known that the U.S. has been in favour of a strong and united Europe but it is not known how far she would go in acquiescing in a scheme which may prejudicially affect her trading interests. So far as India is concerned, it would be premature to make any sober appraisal in the absence of full details of the scheme. But there seems to be already a line of criticism that with regulation of foreign trade and import restrictions to suit the country's requirements, there may not be any great advantage in joining a free trade area at this stage.

INTERNATIONAL FINANCE CORPORATION

THE INTERNATIONAL FINANCE CORPORATION whose charter was drawn up early this year, made its first appearance last week at Washington. The objective of the Corporation as Mr. Robert L. Garner, its President, reminded while addressing the inaugural meeting of the Board of Governors, was to "stimulate a greater flow of private capital into productive enterprises in the less developed areas." With its distinctive feature of providing capital for private investment without the guarantee of the member-Governments as to payment of interest and capital, the Corporation will serve as an effective complement to the World Bank with a special sphere of its own functions.

While looking forward to the task ahead, Mr. Garner gave expression to certain obstacles that would

prevent or greatly hinder the objective of the Corporation. One is the question of confidence in the reasonable stability of conditions, in the country seeking help, as this factor will largely determine the pace and volume of private investment. Another factor is the human element and Mr. Garner, therefore, stressed that the "private partners with whom we are asked to associate must be able to supply or obtain management of character and confidence". This is quite understandable because the purpose of the Corporation is to demonstrate that private investments in the less developed areas, properly managed, would be both profitable and useful. In all this talk of economic development, however, the basic question can never be ignored. In the ultimate analysis, it is only in a limited sense that economic development can be "imported", and in its essentials, it must be generated from within. The psychological factor is obviously important and there must be a desire for economic progress as well as a determination to achieve it.

THE SAAR AGREEMENT

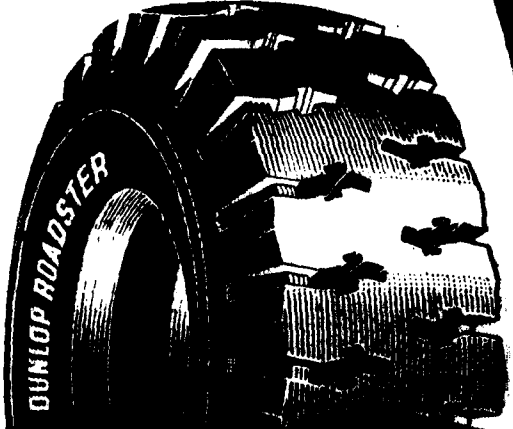
AFTER THE referendum in the Saar last October and the subsequent elections in which the pro-German Nationalists won an overwhelming victory, the reunification of Saar with West Germany was inevitable. Dr. Hubert Ney, Premier, who had come out successful in the elections had declared that his policy was to work for the incorporation of Saar in Germany. As a result an agreement on the reunification of the Saar with Germany was reached in June. The basis of the June Agreement was that the political integration of Saar with Germany should take place by January 1, 1957, while economic integration was to cover a three-year period ending January 1, 1960. Both sides made concessions and it was agreed that between the present time and 1960 France would obtain 90 million tons of coal from the Warndt forest by stages. The agreement also laid down that West Germany and France would share the cost of canalising the Moselle river between Coblenz and Thionville, and that France would abandon her plans for extension of the upper Rhine Canal.

It is heartening that now France and Germany will sign the agreement immediately. There is the hope that with this vexed issue out of the way, France and Germany, always at logger-heads in the past, would be able to work with harmony and co-operation in future and thereby strengthen the North Atlantic Community. It will not be too optimistic to presume that the solution of a problem which over a number of years gave every appearance of being intractable will contribute now substantially towards a sense of European solidarity. Though there can be no doubt that the Saarlanders themselves provided the momentum for the agreement, it would be unfair to deny credit to Dr. Adenauer who on the face of it seems to be responsible for the final outcome.

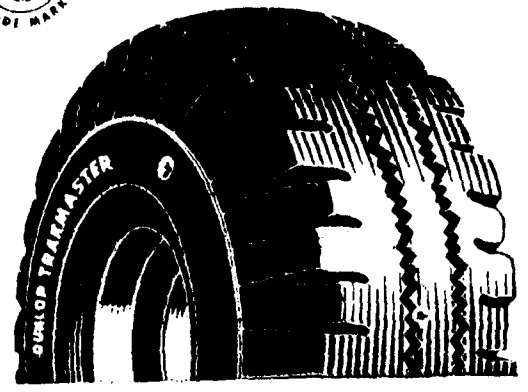
GOLD AND DOLLAR RESERVES IN SEPTEMBER

THE UNITED KINGDOM'S gold and dollar reserves rose by \$52,000,000 during September, and stood, at the end of the month, at \$2,326 million. Announcing this on October 2 in London, the Treasury said that defence aid estimated at \$3,000,000 was received from the United States during the month. A sum of \$3,000,000 was paid in the quarterly instalment on the Canadian interest-free loan; \$34,000,000 was paid in gold or dollars to the European Payments Union (EPU) in respect of August, and \$3,000,000 was paid to the creditors of EPU in bilateral settlements. During September Britain received \$178,000,000 from the sale of the Trinidad Oil Co.

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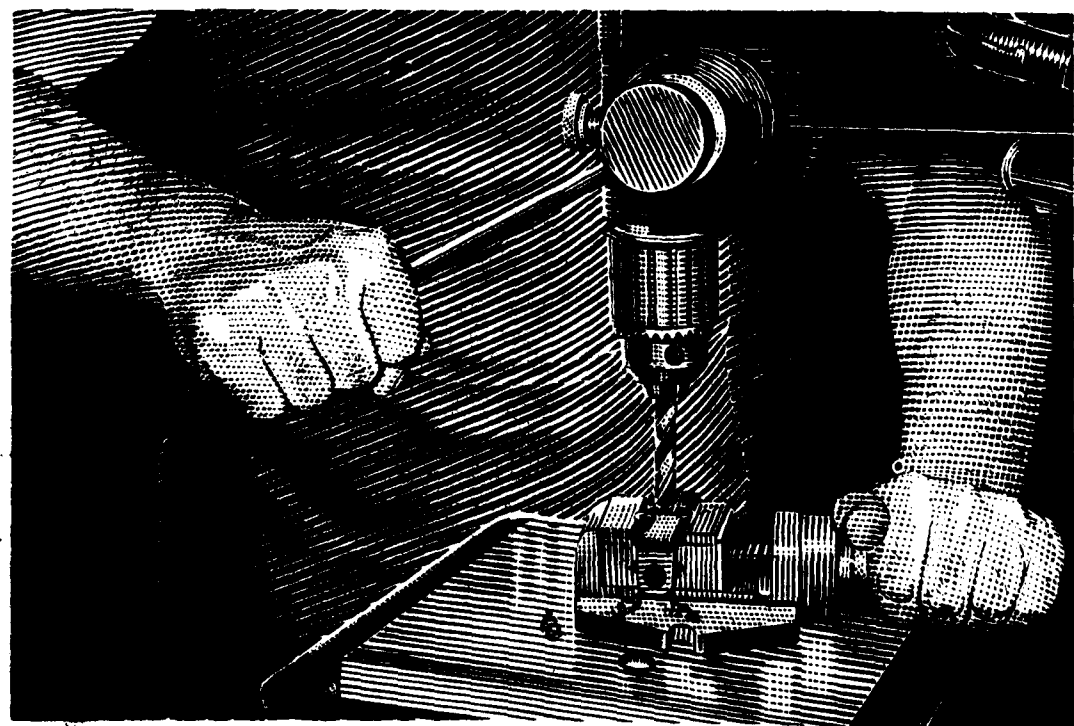


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A Window on the World

THE CAUSE OF NATIONAL INDISCIPLINE

By
ODYSSEUS

THREATS TO THE UNITY OF INDIA arise from party intrigues, the instability of state cabinets, corruption, nepotism, regional rivalries, and linguistic states. Last week we discussed the abolition of state governments in favour of a single all-India authority, or alternatively the reduction of the number of local governments to four or five large multi-lingual states. But we also agreed that modifications of the system of administration treated symptoms rather than causes. While some systems are better than others, the best system will not work if too many people support intrigue and parochial interests.

The problem is how to raise the level of good citizenship among average men. In the final analysis this can only be solved in the schools and colleges. If these are not nurseries of good Indians, the exhortations to patriotic conduct which fill our newspapers will continue unheeded.

Too many schools and colleges are forcing grounds of anti-social behaviour. This fact is documented at length in Volume I of the great Report of the University Education Commission of 1948-49 (Chairman: Dr. S. Radhakrishnan). Students are constantly in the news for murder, violence, hunger-strikes, and demonstrations that lead to lathi charges and bloodshed. Not so long ago nine students of a leading university were charged with an assault that caused the death of a college principal who had had the temerity to expel students for cheating at an exam. In 1951, the entire public life of Orissa State was brought to a standstill when 8,000 students went on strike, the legislature was besieged, and widespread clashes occurred all over the state.

INDIA'S ANTI-SOCIAL VORTEX

In this connexion, may I urge you to borrow, or preferably buy, "India, Democracy and Education" (Orient Longmans, 1955. Rs. 15/-) by Josselyn Hennessy, who assembles under one cover a wide variety of insufficiently appreciated facts on education, democracy, and communism in India. On indiscipline, Mr. Hennessy (an authority for whom this column has never concealed its regard) says:

"India's universities contain 200,000 boys and girls who, as students of higher learning, must be presumed to represent the flower of the nation. The contrast in the experience provided for the western adolescent from that which overtakes the Indian on the threshold of life could not be greater. Instead of self-development through the joy of satisfying natural instincts in surroundings that make for social behaviour and for co-operation with authority and with their fellows, India's adolescents are plunged into a vortex in which a large part of their energies are exhausted in anti-social ways. They learn that those in authority — the university heads, the state government and legislature, the forces of law and order — are their natural enemies, to be defied and outwitted. It is demonstrated to them that the world is a brutal place, in which there is no justice for the poor and the down-trodden with whom they identify themselves, but only a blind and repressive

'law' upheld by lathis and rifles. There is no experience so embittering as a bloody clash between police and civilian population.... The return of calm does not restore the status quo ante but a body politic which has suffered disintegration to the extent of the resentment aroused. The physical conflict has ceased but a festering psychological wound remains."

Mr. Hennessy points out that boys and girls who have spent their formative years weltering in such destructive emotions must feel victimised by society. They will be on the look-out for wrongs to revenge; they will regard their government and the institutions in which it is embodied as their natural enemies. To them, rebellion will be normal; constitutional development abnormal. "What kind of leaders can such men and women become?" Mr. Hennessy asks. "One remembers the vengeance that the student Josef Vissarionovich Djughashvili exacted after he had helped to overthrow the society responsible for the miseries and persecutions of his youth, when he had liquidated his way to a dictator's throne: Stalin — the man of steel — a metal useful enough for building bridges but out of which human feelings cannot be forged."

First among the causes of indiscipline set forth in the Report of the University Commission is bad accommodation. The Allahabad Teachers Association, for example, said that the university hostels could accommodate only 2,000 out of 4,500 students, and that the average size of a room was 11' x 13' ft. Originally single, they have been made double to meet the demand on space. Even halls have been partitioned into rooms, "thus cutting at the root of a common social and intellectual life in the hostels." Another witness said: "College kitchens are managed by the students themselves which means that they are managed by the servants." Consequently the costs are high and the meals lack quality and variety. "The running of kitchens is specialised work and should be undertaken by trained caterers who should be on the staff of the college."

Providing lodgings for inexperienced and penniless students has become a racket in the slum areas of university towns. Students live in filth and misery, without proper food or care for their health, in circumstances in which many an initially guileless boy becomes habituated to prostitutes, pimps, and goondas.

Witnesses told the University Commission that most students had no opportunities for games, sports, the fine arts, drama, music, or other relaxations that, by bringing people together enjoyably to pursue an interest in common, use the social instincts constructively. The only flourishing extra-curricular activity is the students' union. Typical observations made to the University Commission were: Every student pays Rs. 2 for the session, so that the Union gets Rs. 8,000 which is spent in entertaining Communist and Socialist leaders. Controversial subjects are not debated academically. The Unions regard themselves as Trade Unions for student grievances. They are admirable centres for those who wish to organise political wire-pulling from outside.

The University Commission stressed the poor health of the nation, the prevalence of infectious diseases, and said that it is "little short of criminal" to draw young people into the close contacts of college life without adequate precautions to check contagion and protect health.

"SEETHING DISCONTENT"

"No single factor has a more vital effect on the atmosphere and morale of a college or a university than the conditions under which students live," the Commission said. "Convenient and comfortable quarters for study and sleep, sufficient and wholesome food at low cost, are essential to good spirit and to the best progress in university work." At one university, students, even girls, were expected to supply their own beds or sleep on the floor. "Such conditions create a most undesirable social attitude on the part of the students of a room."

"Poor and unwholesome food not only breeds malnutrition and disease but can become a centre of seething discontent. The boarding arrangements tie up closely with discipline or indiscipline."

"The hostel is not simply a place to eat, and sleep, or even study.... Living in a hostel is an important part of education. It is a way of life, and here students learn to live decently, or indifferently, or in uncouth fashion.... Without social recreation, common rooms, and games, the students are not only deprived of much of the benefit of education but the students' spirit of university may be demoralised."

Some political cliques, and even anarchical elements, continue to exploit students. During the visit of the Commission to Calcutta, a riot, in which students were used as pawns, was started that resulted in bloodshed and lawlessness that continued for some days. This was the work of anti-social and violent groups. Neither the University nor students could be held responsible.

Among the causes of indiscipline that the Commission cites are the poverty of (a) many students which puts beyond their reach amenities essential to a full and healthy college life, and (b) of many institutions which cannot provide good hostels, play-grounds and corporate activities. The excessive numbers of the students in all universities, the failure of parents to support the college authorities, the inability of the teachers to cope with confused thinking, the too ready admission of students without the qualifications requisite for success in study, tensions over exams, worry caused to poor students by the cost of university education—"all these contribute to the difficulties of maintaining the best conduct and welfare of students."

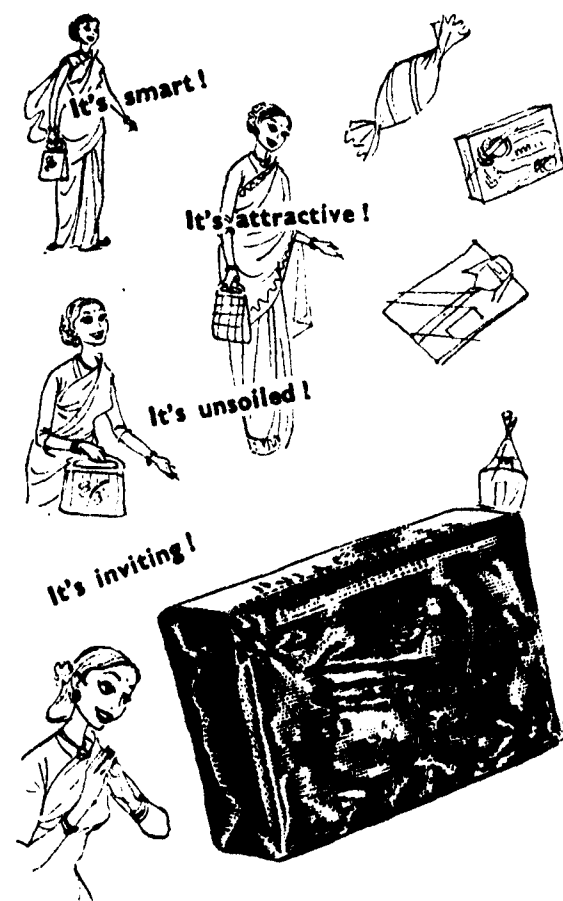
The key to handling young people, says the Commission, is not in restraints and punishments. A wholesome attitude to society cannot be created by repression. The true sanction of discipline lies in developing the student's social conscience; and the Commission concludes with a sentence that sums up the argument presented throughout this series of articles: "As in society, so in the university, laws are observed because they are approved by reason rather than because they are imposed by force."

In a nutshell, if we want greater unity in India, we must not, in the first place, allocate more funds to educate larger numbers. Overcrowding is the basic cause of indiscipline and of the appallingly low academic level. We need to spend more to get the best out of our existing institutions. That achieved, we can increase numbers. Quantity without quality is no help.

This is the final article of a series on the problems of discipline, military, industrial, educational, and na-

tional. Previous articles were: "The Case of Sergeant Mc Keon," (Aug. 31), "Discipline: Good and Bad" (Sept. 7), "Fear and Punishment" (Sept. 14), "Do You Want To Be A Leader?" (Sept. 21), "New Dangers to India's Unity" (Sept. 28). While, as usual, each article was complete in itself, a collected reading of the series will bring out the continuity of the argument.

As Odysseus is now on holiday, his column will not appear next week but will be resumed on October 19.—Ed.).



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HINDU INTOLERANCE AND INDIAN TOLERANCE

(From Our Special West European Correspondent)

PARIS, September 30.

MY curious title is borrowed from a leading article by an eminent Catholic scholar, Father Queguiner, in the current issue of 'Etudes', the journal published for Catholic intellectuals by the Society of Jesus. It is not only the title of Father Queguiner's article that is curious; the contents, too, will surprise many of my readers. Appearing where it does, and from the pen of a Jesuit who has a profound knowledge both of modern Indian democracy and of Hinduism, it represents an interesting and mature contribution to the present controversy about Christian missionary activities in India, and for that matter to the wider question of the co-existence of various faiths in a country that has known more than her share of religious strife. Although it has been the activity of specifically foreign missionaries that has been most in dispute in the recent debate, Father Queguiner writes with a serenity and calmness that are sometimes lacking in these discussions—but this only serves to underline the severity of certain of his judgments.

The article is long and subtle, and is composed with that closeness of reasoning that even we who have no sympathy with the Jesuitical order have come to expect from its scholars. If I were to attempt to summarise it very briefly, I should say that Father Queguiner sees "Hindu intolerance" represented by such gentle figures as Mr. C. Rajagopalachari who preach precisely the harmonisation of all religions; and he sees "Indian tolerance" embodied in such men as Jawaharlal Nehru whom he describes (I know not with what justice) as atheists or at least men indifferent to all religions. He presents us, then, with the paradox of a Jesuit taking the most liberal of Hindus as exactly his doctrinal enemies, and the "atheists" as the best guarantors of the progress of his faith. He believes that the ideal of total religious equality, of a harmonisation of all confessions, a fellowship of the faiths—an ideal which is an old tradition in India and is nowadays expressed by many of the most respected Hindu leaders—is in and by itself nothing less than a doctrinal attack on Christianity. He foresees no possible lowering of the tension between the religions at the spiritual level, but he is confident that this spiritual tension will be compatible with complete social fellowship between all Indians as long as the "atheists" continue to rule under a Constitution that guarantees religious freedom almost "by accident".

In charging liberal Hindus with "intolerance" Father Queguiner is not making what he would regard as a serious accusation, for he would admit to being quite intolerant himself in spiritual matters, though of course like all democrats he well knows the necessity for men of various faiths to live together in peace and friendship. He means that modern, liberal Hinduism is at heart just as intolerant as Catholicism—and he respects it all the more for this. For example, he quickly comes to the issue of conversion, of proselytising, and after pointing out that this activity is central to all Christianity, he goes on: "But it is precisely this principle of conversion which irritates or exasperates the Hindu, and his reaction bears witness to a passionate attachment to the doctrinal position of Hinduism. I must say straightaway this attitude seems to me worthy of respect for it shows a praiseworthy subjective preference for his own religion and a sincere conviction of its value".

So our eminent Jesuit logician is not so much worried about the Hindu "intolerance" that he claims to find in certain quarters in India today. What he is distressed about is that this supposed intolerance is disguised under, or at all events combined with, specious claims of liberality and complete toleration. It is as though he felt that Hinduism is entitled to be intolerant but is cheating when it pretends to be tolerant. He says: "Logic demands that if Hinduism wishes to remain consistent with itself, it must either accept the vital needs of our religion (i.e. proselytising), or it must honestly renounce the prestige and advantages which it gains by its reputation for liberalism, a reputation which is artificial and baseless".

To the outsider who is no theologian, this seems to mean that Father Queguiner is much less worried about occasional persecution of converted aboriginals by Hindu fanatics in Chota-Nagpur than he is by the generous professions of Hindu liberalism of such leaders as Dr. Radhakrishnan. And for the outsider who has no attachment to any of the faiths under discussion, this is the most interesting part of the argument. Why should a Christian divine be so concerned about the "prestige and advantages" which Hinduism is gaining by "pretending" to be liberal? Perhaps there is a clue in the references to "Western admirers of Hinduism" who criticise the "narrowness" of Christian theologians—for there is no doubt that in Continental Europe the "universal" aspect of Hinduism is winning increasing numbers of people away from their traditional confessions. Perhaps too there is a clue in the references to the work of the Ramakrishna Mission, which while it urges Christians not to renounce their faith but to become better Christians, in fact according to Father Queguiner empties them of all Christianity except the name and makes them "fundamentally Hindu".

But the reasons for this concern about the "prestige and advantages" of modern Hindu liberalism go deeper than this; I do not believe that the Church is so worried about losing large numbers of converts to Hinduism. The fact is that Hindu claims to universality strike an unreasoning chord of resistance in many European minds; they react with suspicion and hesitation not when the Hindu is being exclusive but just when he is being most liberal. When the Hindu is sectarian or even aggressive, they understand and accept him; but when he throws open his arms and offers to find a place for Christianity within the fold of a universal fellowship of religions, they recoil, if not in anger at least with the feeling that they are being attacked, and attacked by unfair means at that.

That this attitude is unreasoning becomes clear in even Father Queguiner's reasonable essay. On the one hand he claims, quite correctly, that when Hindus ask Christians to give up conversions, they are simply asking them to give up their whole religion. But he cannot see that, equally, when Christians ask Hindus to give up the claim to universality, to a harmonisation of all faiths, they are just as much asking Hindus to give up the central part of their religion.

I do not pretend to have made clear in this article the fundamental difference in viewpoints on spiritual matters between some Hindu leaders and certain very influential Christian thinkers. I am not even sure that

it can be made clear, for it rests on a basic and partly unconscious dissimilarity in their deepest convictions. But the main practical point can scarcely be missed: that it is just when the Hindu thinks he is offering most that he seems to his spiritual opponent to be attacking most vigorously. To use picturesque language that strains the truth without destroying it: our subtle Jesuit is less upset by the spectacle of an uneducated Hindu worshipping Kali or even smashing a Cross than he is by the sight of Dr. Radhakrishnan discoursing philosophically on an eventual harmonisation of all faiths.

Now this paradox has a parallel in the sphere of international relations and if we can grasp it, we begin to understand some of the surprising reactions that India's foreign policy evokes in many parts of the West—for honesty compels us to admit that India's policy is much less sympathetically received abroad than some official statements in Delhi might lead one to think. Briefly, the reaction is this; when India acts, even most vigorously, to defend her national interests—whether in Kashmir or Hyderabad or the Naga Hills or in regulating foreign business and wayward foreign missionaries—her action is sympathetically, and sometimes enthusiastically, endorsed abroad. Claims that occasionally appear in the Indian Press that Pakistan, for instance, enjoys some Western support for a plan to "grab Kashmir" are the merest rubbish, and such attempts as Pakistan may have made to estrange support from India have totally failed. Indian nationalism in whatever department of national life is thoroughly well understood and accepted in the West, with the unimportant exception of certain circles in the City of London; and on the Continent India enjoys more friendship than she knows.

But India's professed foreign policy of benevolent neutralism, the claim that she is always ready to mediate in international conflict, awakens very widely here that same unreasoning resistance and irritation that we have just encountered in the religious sphere. This is not the exasperation of contentants for neutrals, because Swiss or Austrian neutrality is regarded quite differently, as being founded on plain self-interest. Moreover, it is just when Indian foreign policy is stated in its widest and most generous terms that it gets, to the surprise of the worst Press, that this irritation is not mislead us about the facts. In this field of international relations, a candour that one finds very difficult to

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analyse. Much less should one attempt to do anything about it. The West has no more right to ask India to give up her peculiar conception of neutralism than India has to ask other nations to surrender their particular "selfish" interests. But the dissimilarity in viewpoints is going to go on producing misunderstandings, some trivial, some serious, if we do not make consistent efforts to allow for it in all our observations and calculations.

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WORLDGRAM

AGRICULTURE

New Process for Preparing Fruit Toffees: A new process for preparing toffees from fruits such as banana, jack, fruit guava, papaya, mango, etc., has been developed at the Central Food Technological Research Institute, Mysore. The toffees prepared under the new process possess the nutrients and other essential characteristics of the non-fruit toffees available in the market. The product also contains the flavour and nutritive constituents of the fruits from which it is prepared.

Co-operative Marketing Training: The Government of India have decided to organise 1908 new Marketing Societies in the Country during the remaining period of the second Five-Year Plan. The first batch of trainees, who will organise such Societies in U.P., Punjab and Himachal Pradesh, have completed their course in marketing at the Regional Co-operative Training Centre, Meerut. The next course will commence on October 3, 1956 and will be attended by candidates coming from Eastern and Western States of India.

INDUSTRY

Modern Silk Reeling Factory: A modern silk reeling factory is to be established at Malda in West Bengal for producing high grade raw silk. The Union Ministry of Production has sanctioned a loan of Rs. 10 lakhs to the West Bengal Government for starting a pilot filature plant. Of this amount, a sum of Rs. 6 lakhs is to be utilised for the construction of factory buildings and for the purchase of Japanese type machinery, scientific appliances etc. The balance of Rs. 4 lakhs is for working capital. The factory is expected to provide employment directly to about 300 persons and indirectly to many in the twisting and weaving sectors. For the establishment of a multi voltine disease-free egg station at Malda an additional grant has been provided. For the supply of disease-free layings some more grainages are to be established and grant of Rs. 75,300 has been sanctioned for the purpose.

Certification Mark for Aluminium Sheets and Utensils: The Indian Standards Institution has granted two licences for use of its Certification Mark, one to Messrs. Lallubhai Aminchand Private Ltd., Bombay, for wrought aluminium utensils, and the other to the Metal Rolling Mills Ltd., Bombay, for aluminium sheets, strips and circles, out of which aluminium utensils are made. The mark will certify that sheets, strips, circles and utensils have been manufactured in conformity with the relevant Indian Standard, viz, IS: 21-1953. The Standard Mark consists of the monogram of the Indian Standards Institution, superscribed by the number designation of the Indian Standard together with the relevant grade of the material.

Standard for Bone-Meal: An Indian standard specification for bone-meal, raw (IS: 853-1956) has just been published by the Indian Standards Institution. The standard prescribes the requirements and methods of test for the material used for manurial purposes. The standard also provides for the methods of determination of moisture, nitrogen, total phosphates and available phosphates soluble in citric acid solution. An elaborate sampling procedure is given in a separate appendix. The standard, which has been prepared by ISI's Heavy Chemicals (Inorganic) Sectional Committee, is now available for sale at the Indian Standards Institution, 19, University Road, Delhi-8.

Packing Charge for Cement: On March 27, 1954, the Government of India announced that packing charges for cement would be fixed every quarter on the basis of the average of the maximum market price for packing material during each week of the immediately preceding nine months plus Rs. 1-4 per ton to cover incidental charges. On this basis packing charges, for the current quarter were fixed at Rs. 13-3 per ton. The packing charges for next quarter commencing from October 1, 1956, work out to Rs. 13-1 per ton. The Government of India have informed all the State Governments of the revised packing charges. The above packing charges are applicable to cement packed in new bags only. Packing charges for cement packed in old bags will be matter for settlement between the buyers and the sellers subject to the maximum indicated above.

Stabilized Bleaching Powder: The Indian Standards Institution has issued a draft Indian Standard specification for bleaching powder, stabilised for eliciting comments. The draft standard prescribes the requirements and methods of test for bleaching powder, stabilized, manufactured from quick-lime by slaking and chlorination. Two appendices to the Standard describe respectively the methods of sampling and analysis of the material. The Sectional Committee has taken into consideration the difficulties encountered in the manufacture of this material, while formulating the standard.

TRADE

Foreign Trade of India by Land during August, 1956: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during August, 1956, are as follows:

MERCHANDISE:

Exports	Rs. 48 lakhs
Exports to Eastern Pakistan	" 33 "
Exports to Western Pakistan	" 11 "
Exports to other countries	" 4 "

MERCHANDISE:

Re-exports	Negligible
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MERCHANDISE:

Imports	Rs. 179 lakhs
Imports from Eastern Pakistan	" 124 "
Imports from Western Pakistan	" 26 "
Imports from other countries	" 29 "

TOTAL TRADE	Rs. 227 lakhs
TRADE IN TREASURE	Negligible

BALANCE OF TRADE

The total value of exports including re-exports fell short of imports by Rs. 131 lakhs.

Trade Arrangements between India and North Viet-Nam: Letters were exchanged in New Delhi recently between the representatives of the Government of India and the Democratic Republic of Viet-Nam regarding the development of trade between the two countries. Both parties have agreed to facilitate movement of goods between the two countries in accordance with their import, export and foreign exchange regulations in force in each country. The important items in the list of exports from India to the Democratic Republic of Viet-Nam are machinery of various types agricultural implements, electrical

goods, jute manufactures, cotton piecegoods, hand-loom cloth, woollen and silk goods, oils, tea, coffee, fish, tobacco, tobacco manufactures, rubber and leather goods. The important items in the list of exports from the Democratic Republic of Viet-Nam are livestock, timber, fruits, cement, limestone and porcelain clay. Payment for all commercial and non-commercial transactions will be made either in rupees or in pounds sterling as may be mutually convenient. The trade arrangements will remain in force for a period of three years.

Quotas for Indian Imports into West Germany: Letter have been exchanged at Bonn between the representatives of the Government of India and the Government of the Federal Republic of Germany revising the Annexure to the Indo-German Trade Agreement for the year 1956-57. The Trade Agreement which was signed on March 31, 1955 is to remain in force for an indefinite period, but the Annexure to it, containing quotas for Indian goods to be imported into Germany, is subjected to revision every year. As a part of the negotiations which have been going on for some time the Federal Government has agreed to increase the quotas for imports of miscellaneous items of textiles and also to grant quotas for fresh items, such as twine, ropes, cordage and cable of jute and false jute, canned fruits and hand-made laces.

FINANCE

Argentina Joins Fund and Bank: Argentina recently became a member of the International Monetary Fund and the International Bank for Reconstruction and Development when the Articles of Agreement of these institutions were signed in Washington on behalf of the Government of Argentina by His Excellency Dr. Don Adolfo A. Wicchi, Ambassador for Argentina in Washington. The quota of Argentina in the International Monetary Fund is \$150 million, and its subscription to the capital stock of the Bank is 1,500 shares with a total par value of \$150 million. Fifty-nine nations are now members of the Fund and of the Bank. Admission of Argentina brought the total of members' quotas in the Fund to \$8,905,500,000. The total subscribed capital of the Bank is now \$9,248,700,000.

Low-Income Group Housing Grants: The Government of India during July, 1956, disbursed a sum of Rs. 22.79 lakhs to three States under the Low-Income Group Housing scheme. Of this amount, Delhi was given Rs. 17.34 lakhs, Madras, Rs. 8 lakhs and Saurashtra Rs. 3.45 lakhs. Loans amounting to Rs. 83.53 lakhs were distributed up to July 31, 1956, against a total allocation of Rs. 720 lakhs for 1956-57.

Agreement between Swiss Confederation and I.B.R.D.: The Swiss Confederation and the International Bank for Reconstruction and Development have entered into an agreement, subject to ratification by the Swiss Parliament, whereby the Swiss Government will lend Sw. Fr. 200 million (about \$47 million) to the Bank. Under the agreement, the proceeds will be made available on January 1, 1957, in convertible Swiss Francs.

Loan to Costa Rica: The World Bank has announced a loan of \$3 million in Costa Rica. The loan was made to the Central Bank of Costa Rica and will assist it in carrying on a lending programme for the development of agriculture and light industry. The Chemical Corn Exchange Bank of New York is participating in the loan, without the World Bank's guarantee, to the extent of \$300,000 representing the first maturity and half the second maturity, which fall due October 1, 1958 and April 1, 1959.

Subsidised Industrial Housing Grants: Loans and subsidies amounting to Rs. 8,72,325 were sanctioned by the Government of India during July 1956, for the construction of 470 tenements under the Subsidised Industrial Housing Scheme. The Madhya Pradesh Electricity Board, Nagpur, will receive Rs. 1,95,645 as loan and Rs. 1,30,430 as subsidy for putting up 72 one-room and 98 two-room tenements at Balharshah in Chanda district in Madhya Pradesh. For constructing 200 one-room and 100 two-room tenements at Nepangar, Messrs. National Newsprint and Paper Mills Ltd., Nepangar, Madhya Pradesh, will get Rs. 3,27,750 as loan and Rs. 2,18,500 as subsidy.

GENERAL

Electricity Output: Electricity output in India increased by 44.8 million kwh (kilowatt hours) during May 1956 as compared to April. 701 public electricity supply undertakings generated 824.2 million kwh, of which 669.1 million kwh were sold to ultimate consumers. Three Diesel generating undertakings and two purchasing undertakings were the new additions during the month. The Diesel generating stations are at Virajpet in Coorg, and Mahboobnagar and Peddapalli in Hyderabad. The purchasing undertakings are at Vetarguri and Bethuadahari in West Bengal. Power production and sale during May 1955, were 704.0 million kwh and 569.3 million kwh and during May 1954, 218.0 million kwh and 180.8 million kwh respectively.

Minimum Wages Advisory Board's Recommendations: It is reported that the Minimum Wages Board has suggested that registers of employment of agricultural labour should be maintained only by those persons with holdings of 10 acres of land. The Board also recommended that the Central Government should in the light of the Labour Policy outlined in the second Five-Year Plan and in consultation with the State Governments prepare a list of industries which are to be added to the schedule of the Act. The list, it was recommended, should be placed before the Board at the next meeting. The Board also suggested that the Central Government should take steps to add to the schedule of the Act the following employment:

- (i) Mines and quarries.
- (ii) Casual employment and employment in coal handling in railways (both departmental and contract) and,
- (iii) Employment in ports and docks (other than those covered).

Welfare Projects: A total number of 27 Welfare Extension Projects has been sanctioned by the Central Social Welfare Board since April 1, 1956, bringing the total number of projects in operation throughout the country at present, to 321. Of the 27 new projects, 4 are in Andhra, 4 in Bihar, 5 in Madras, 6 in Travancore-Cochin, 2 in Mysore, 2 in PEPSU and one each in Bombay, Bhopal, Delhi and Madhya Bharat. Each project comprises of about 25 villages and a population of about 20,000 to 25,000.

India-Poland Telecommunications Agreement Signed: A Telecommunications Agreement has been signed between the Government of the Republic of India and the Government of People's Republic of Poland. The Agreement provides for the exchange of wireless telegraphic messages and telephone calls, either State or private, between India and Poland and for the different rates to be charged for the different categories of telegrams and the apportionment of charges between the Tele-communication authorities of the two Governments. In so far as matters which are not specifically covered by the Agreement are concerned, the provisions of the International Telegraphs and Telephone Regulations shall apply.

INDIAN

A private limited company, entirely owned by the Government of India, has been registered at Gwalior, to take over the control and management of the Government's heavy electrical equipment project.

India's three new steel plants Rourkela, Bhilai and Durgapur are expected to go into production in September 1958, October 1958 and June 1959 respectively.

The Government of India's proposals for an inter-State Sales Tax have been finalised and the necessary legislation has been drafted.

Exports of pepper from India during August was about 1,560 tons raising the total for the first eight months of 1956 to 14,000 tons which is higher than the figure reached in any of the previous five years.

The Government of India has recently constituted a Family Planning Board for formulating proposals to popularise the family planning programmes, to carry out research in that line, and to consider other measures in that regard.

The Indian Standard Institution has issued a code of practice for oxychloride composition floors (tentative) IS: 658-1956.

A sum of Rs. 89 crores has been provided in the second Plan for the expansion of elementary education with emphasis on basic education.

Output of iron ore in India increased to 325,360 tons in July, 1956, from 291,650 tons in June.

In 1955-56, India exported 30,862 tons of cashew-nuts valued at Rs. 12.92 crores.

Tea consumption in India increased to 206 million lbs. in 1955-56 compared with 183 million lbs. in 1954-55.

Indian tobacco is exported to 32 countries and earns a foreign exchange worth about Rs. 12 crores a year.

The Government of India have decided to remove the export duty of Rs. 250 per ton leviable on linseed oil, with immediate effect.

A programme to provide wholtime employment to 4,000 workers in the cottage soap industry, using non-edible oils, has been approved by the Government of India. The programme will also provide employment to a lakh of workers for two months.

NEWS IN BRIEF

FOREIGN

The US cost of living index moved down slightly in August to 116.8 per cent of the 1947-48 average, from the all-time peak of 117.0 reached in July, according to the Bureau of Labour statistics.

Working time for 420,000 under-ground miners in West Germany's hard coal industry will be reduced from 45 to about 42½ hours per week by making every second Saturday a free but fully-paid day.

German industrial output declined by 0.7 per cent last month but is still 7 per cent higher than in the corresponding month of 1955. The index figure was 207 in July (1936 equals 100) and fell in August to 206. Between May and July the fall in output was around 7 per cent.

It is reported that the commercial motor industry of Britain, although relatively young, is responsible for no less than 10 per cent of Britain's export trade.

The World Bank announced recently the approval of two loans totalling \$31 million for electric power expansion in Australia. The projects being financed are part of a programme to meet the increasing demands of Australian industry, and to supply additional power for export to neighbouring countries.

A contract for the production of 500,000 lbs. of nuclear grade beryllium valued at \$22 million has been awarded to the Beryllium Corporation of America by the U.S. Atomic Energy Commission.

UK car output in August was the lowest for four years. Commercial vehicle production also fell sharply and August figures were the lowest since August, 1953.

New Zealand's overseas exchange transactions for the year ended August show a deficit of £2.4 million as against a deficit of £32.8 million in the previous 12 months.

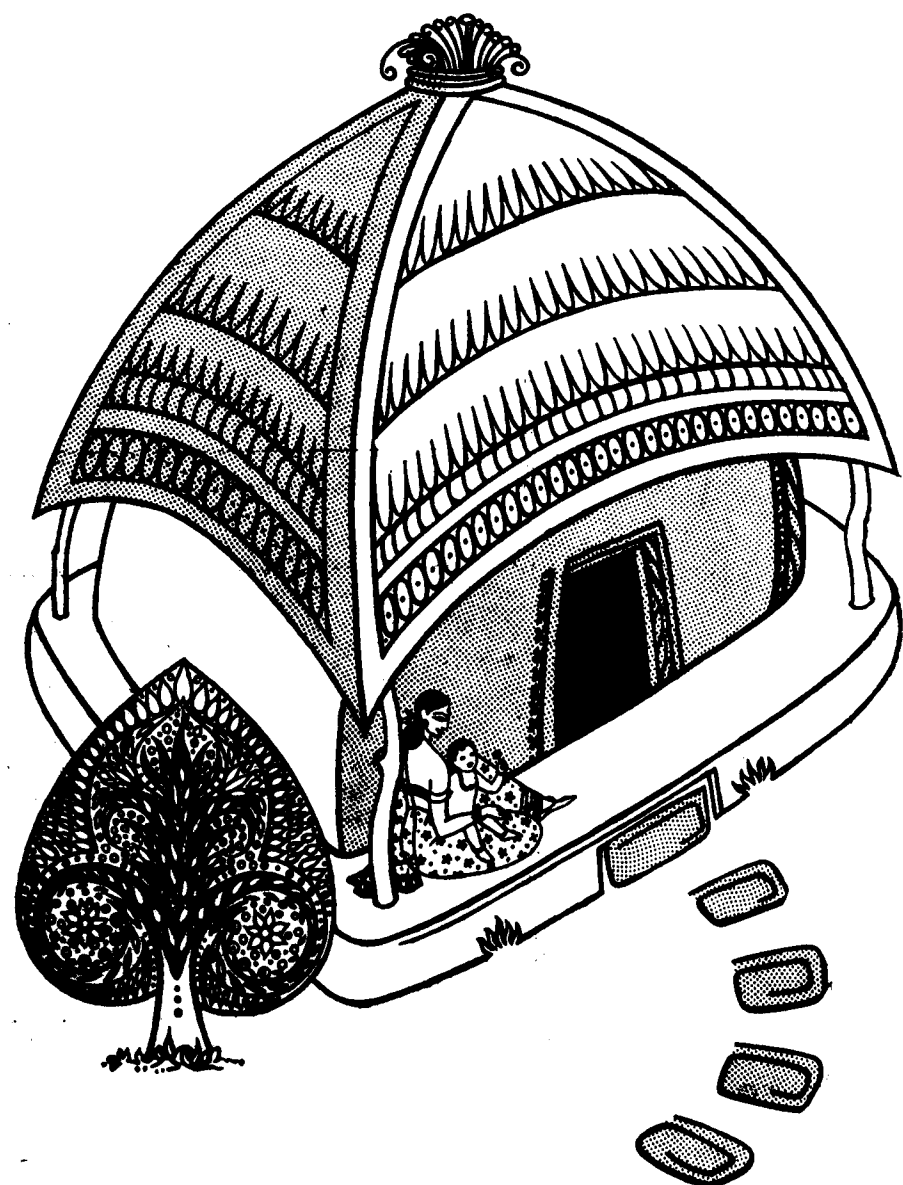
Argentina's January-July exports to the UK were valued at \$127.2 million and accounted for 24.5 per cent of the total trade compared with 20 per cent in 1955 and 18 per cent in 1954 for the same period.

Viet-Nam recently became a member of the International Monetary Fund and the International Bank for Reconstruction and Development when the Articles of Agreement of these institutions were signed in Washington on behalf of the Government of Viet-Nam.

It is reported the upward trend in world production and trade in dairy produce has continued in 1955-56, according to a review published by the Commonwealth Economic Committee. A large part of the increase has taken place in Commonwealth countries.

Burma has informed the Ceylon Government that it has been decided to reduce the price of rice sold to Ceylon by £2 per ton on the current year's outstanding supplies.

According to the Pakistan Ministry of Finance, Pakistan's balance of payments for the period January to June 1956 shows a surplus of Rs. 17.11 crores. Total receipts during the period were Rs. 110.99 crores and total payments amounted to Rs. 93.88 crores.



A roof over our heads—a place to rest, to shelter our families: from the heat of the sun, from cold winds and driving rain—that is what we all need. Like food, a home is a basic necessity common to peoples of all countries.

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PSVOC 9/5/56.

A DELHI DIARY

THE wish is father to the thought. Perhaps it is because this is so that I have been thinking this week that Gandhi Jayanti in 1956 has displayed more earnest feeling than in any year since 1948. The closure of shops in New Delhi was practically complete, and there was both at Rajghat and elsewhere a feeling of personal loss, which I believe is new. The forms, of course, were there — the spinning sessions and so on and so forth (I like these less and less!). I do not think they had anything to do with the feeling of loss that I am describing. I have the impression, which some of my friends strongly share, that much of what we saw on October 2 was a new reflection of bad conscience. We are feeling more keenly than ever before that we have dropped steeply from the standards of the great Mahatma. The twelve months between October 2, 1955 and October 2, 1956 have been our worst since his departure. There is the consciousness of a serious landslide; on October 2 it penetrated our minds. How could it be otherwise?

MEA CULPA?

In practically every month of last year there have been displays of violence and indiscipline of a kind which is the deepest denial of the great Gandhian message. The disgraceful behaviour of the students at Ahmedabad during the Prime Minister's visit on this very day has rightly called forth a stern rebuke from Pandit Pant; it is being felt everywhere that our students' license is reflecting not good academic freedom but the outlook of the mob. But it is not students only; it is everyone. And this October 2 it looked as though we were not so keen on downing "the other fellow". There was a sense of "Mea Culpa, Mea Clupa, Mea Maxima Culpa". There is, or at least there appeared to be, a new recognition that dedication is required again on a great scale on the eve of States' reorganisation and the exacting demands of the second Five-Year Plan.

"PROTOCOL" LIGHTS!

This need of dedication again in a truly grand manner has been driven home in part, I think, by many reports of the "Party" in the People's Republic of China. The only thing that is common to every Indian visiting delegation is this feeling that discipline and dedication in China are several times more effective than our own. Has the Congress Party been corrupted by power and influence which seems not to have corroded the Communist Party of the People's Republic of China? There is certainly here a feeling of relaxation generally, as though the revolution had ended and that 'consolidation' means easy times. There is also preoccupation with some quite foolish marks of prestige. Take, for example, a point which has been brought home to me this week. A usually reliable source — even the standards of "usual reliability" are unhappily falling! — tells me that there exists in Delhi the most extraordinary range of privileges in the matter of "protocol" lights on houses of Deputy Ministers, Ministers of State, and Ministers of Cabinet rank but not in the Cabinet, and Cabinet Ministers. It seems that Cabinet Ministers are allowed two lights. Ministers of Cabinet rank, as far as I can determine, have one light less. Ministers of State do not, it seems, have this privilege but they have a certain number of points inside their houses more than Deputy Ministers. The additional lights are greatly sought

after, and I am told requests have been made for the installation, if unhappily they were by any chance omitted. If all this is true, it shows how great is the lapse from the Gandhian teaching. Would it not be a good thing to abolish "protocol" lights forthwith?

DOWN WITH DEVIATIONS!

Let me not be unfair. There are Ministers in the Central Cabinet who are men of proved dedication, attached to their duties by the highest sense of responsibility with reckless disregard for personal comfort and even health. For example amongst recent arrivals Mr. S. K. Dey, now happily a Cabinet Minister, has been an illuminating example of personal dedication. It is not known that he has not drawn any salary for years on end. He has been a servant of the Indian people in the Gandhian sense. I wonder how many there are of his kind in the country as a whole. The question is not, however, about individuals. It is whether the outlook of the Party as a whole is designed to ensure the Gandhian tradition. I think not, and feel that on October 2 each year some correction of 'deviations' from the Gandhian path should be made. I know the word 'deviation' has an unhappy Marxist ring; but let us co-exist at least on deviations. Down with Deviations!

SAUCE FOR THE GANDER?

I must pass from a quiet Gandhi Jayanti to rowdiness on every other single day. Outside "The Eastern Economist" office there marches back and forth each day a procession organised by the Union of the North Zone of the Insurance Corporation. I do not enter here into the merits of a complicated argument as to whether or not the pay scales in general or for future entrants are fair. I expect Government must have uniformity of a kind; but whatever the merits of the case, I do know that we have looked for seven days on a form of corporate disorder in the affairs of the Corporation in New Delhi which has deeply disturbed those of us who have our savings in insurance. I have had an application for a loan on a policy pending for two months. The standard of insurance administration here has descended with even greater rapidity than the great lapses from the Gandhian tradition. The Life Insurance Corporation has certainly got off here to a very bad start.

There is also an issue of principle. It seems to me that the Government of India cannot fail, having accepted as a principle that, where disputes between employers arise, they should be referred to conciliation and then to arbitration, to apply to itself the medicine it so liberally prescribes to the private sector. Here is a dispute which is eating into the discipline and efficiency of a great national asset built up by the private sector over many years. Irrespective of the error that has been made by nationalisation — alas! they cannot now be unmade — the Government of India cannot avoid the point that this is a dispute which ought to be referred to a tribunal for settlement. It is wholly improper that the Government of India should have one law for the private sector and another for itself. What is sauce for the goose must be sauce for the gander. I am not averse to the sauce being tasty in both cases!

ARGUS.

Special Articles

AN INDIAN LOOKS AT AMERICAN EDUCATION

III—Colleges and Universities

By

HUMAYUN KABIR

IN speaking of collegiate education in America, one has to make a sharp distinction between the first two years in college and the subsequent years. College education is invariably organised on the basis of a four-year under-graduate course followed by one or more years of graduate study. The first two years of the under-graduate course show, and sometimes in sharper relief, the shortcomings of secondary education. A large number of alternatives are offered and students can choose and pick almost at will without much regard to the needs of systematic and sustained study. The result is that many students do not take their work seriously but waste some of the most precious years of early youth. Since they find little interest or purpose in their work, it is not surprising that wastage is also large. Large numbers drop out before they finish their course. I was told that even in so well known and specialised an institution as the M.I.T., only half the entrants come out successful within the stipulated period. The peculiar circumstances of America with a chronic shortage of manpower at every level encourages this tendency and draws out many students before they finish their course.

The bachelor's degree is obtained after four years of under-graduate study but the standard is not generally as high as in British Universities. One main reason for this is the lower standard of American secondary education. A freshman in a British University is doing work which the American under-graduate does in his second or third year. Another reason is that the last two years in the American college often approximate in character to school education. In spite of hard and strenuous work in the last two years of under-graduate study, the American college-man cannot compare with his counter-part in the British University.

The position is, however, largely rectified in the course of graduate studies. Only those who have some interest or purpose continue with their studies in college and university. Also, students in the latter years of the under-graduate courses are as a rule more serious and earnest. The better motivation and the greater opportunity make for harder work. This is even truer of the graduate students. With almost unlimited opportunities for profitable employment for all, only the most serious-minded students go in for graduate studies. The latter years of under-graduate and still more the years of graduate study in America compare very favourably with similar study elsewhere. This, however, involves a greater effort and strain on the students because of the less adequate preparation in the earlier stages.

The majority of graduate students go in for a doctorate which can in theory be obtained in two or three years after the bachelor's degree. In actual practice, very few students take it in less than four years. Five years may be regarded as the general average. There is a master's degree which can be taken in one year after the completion of the under-graduate course, but for most students the master's degree is only a half-way house to the doctorate. One of the unfortunate developments in American education has been the devaluation of the master's degree.

The principle of local autonomy has also added to the complexity of the University scene. It is some

times said that America has 2,000 Universities. The statement is a little misleading and it will be truer to say that there are about 2,000 institutions which award their own degrees. Such an institution may be a giant University with a student population reaching to 30 or 40 thousand. Or it may be a small college with only a few hundred students on its rolls. Some are private institutions and fairly strongly entrenched in tradition. Others are amenable to public pressure and political control. It is thus not surprising that there should be an enormous variation in standards. In fact, some of the older Universities — often referred to as the Ivy League Universities — tend to look down on some of the giant Universities established and run by the State. The State Universities in their turn have grades of snobbery as regards one another and the Ivy Universities.

University men invariably complain about the inadequacy of secondary education. This dissatisfaction has led many American educationists to demand universal college education for American youth. They use two main arguments in asking for such great expansion of the facilities for higher education. Their first contention is general and would hold not only for America but for all countries. They argue that in old hierarchical societies, the more difficult problems were dealt with by a small minority of highly educated and able persons. In the democratic set-up of the modern world, every man has a say in the affairs of society and Government. Government also has assumed much more extensive functions than in the past. In addition, the growing complexity of modern civilisation and increasing contacts between different countries of the world demand a much higher degree of knowledge and maturity in the average citizen. Secondary education, however, good it may be, is no longer adequate for preparing the average man for citizenship in the modern world.

The second argument is based on the specific American situation. Critics point out that American standards of secondary education are low. Very often its products are half baked youths who have neither acquired systematic knowledge nor developed maturity of thought and judgment. The responsibilities of citizenship have in the meantime increased and are continually increasing. Recent contacts of Americans with the world outside have served to emphasise further the importance of turning out better citizens. Since the first World War, America has played an increasingly important role in the world affairs. She has helped generously with goods and services nations which have needed them. Even her worst enemies have not been able to accuse her of imperialism. America has been a benefactor of millions of people in Europe, Asia, South America and Africa. These benefactions have not, however, always evoked the response which one would expect. In fact, in some areas of the world, criticism of America has increased almost in direct proportion to the assistance which America has offered to the people.

Americans who have been worried by and seek an explanation for this phenomenon have found one of its causes in defective secondary education. They say that secondary education in America does not contribute to the growth of an integrated personality. The haphazard combination of a number of different courses

is in their view responsible for arrested growth. In consequence, some of the characteristics of adolescence are continued into adult life. This creates many problems within the country but the consequences outside are even more serious. These critics say that the foreigner's dislike of Americans is at least in part due to this persistence of adolescent characteristics. American educators argue that if the period of universal education was extended by another four or at least two years, the result would be a much greater national maturity.

While the debate about the educational and social justification for the extension of collegiate education goes on, there has in fact been an almost phenomenal growth in college enrolment. In the early years of the century, the proportion of American youth who went to college was not larger than the proportion in Europe, but by 1952, America has exceeded the proportion in most countries of the world. The years of depression and the second World War checked the rate of growth, but special provisions for the higher education of demobilised soldiers have since pushed up enrolment even more steeply. After the war, the State offered facilities of higher education to millions who would otherwise have never gone to college. Once this practice was introduced, the general social atmosphere ensured that enrolment in colleges would not fall. Education is one of the most powerful instruments of social mobility in the United States. Today, college education is regarded as a condition of advancement in almost all spheres of life.

Another factor which has helped to swell the number of college entrants is the diversification of courses at the collegiate stage. This broadening of the pattern of education is one of the major American contributions to the educational practice of the world. The case for diversification has now been almost universally accepted at the secondary stage. Diversification at the University stage is still an almost exclusively American phenomenon. As secondary education becomes more and more diversified, the traditional type of collegiate education fails to meet the requirements of a large number of school leavers. They demand facilities for continuing at a higher level what they have done in secondary schools. Diversification at the collegiate stage is thus an inevitable consequence of diversification at the secondary stage. This development is inescapable.

The factors mentioned above were in any case favouring the growth in numbers at the collegiate stage. The bulge in the birth rate during the war years has given a further impetus to this tendency. The increase in enrolment in the elementary school is already a fact and the pressure is now being felt at the secondary stage. It is estimated that collegiate education will feel the full impact of this increase by 1961. This will, it is said, push up the numbers in

colleges from about 2.5 million today to about 6.5 million in 1961-65.

The increase in college population which has already taken place is posing many problems for American educationists. It has been felt for some years that the standard of college teachers has fallen and is still falling. One of the main reasons for this is that greater prizes are offered in other professions to men of comparable education and ability. As in India, in America also there has been a marked drift of men of first-rate ability from the teaching into other professions. Formerly, the Ph.D. was regarded as preparation for teaching in a University or College. Today, a large proportion of the Ph.D. is deserting academic institutions for administration, commerce and industry. At present only about 30 per cent of the college teachers have a doctorate though the proportion is higher in the Universities. With the enormous expansion in college population that is now anticipated, the proportion is bound to fall.

It is not surprising that in such a situation, the question of entry into colleges and Universities should assume a new importance. As in India, many people are thinking of restricting the flow of high school leavers into colleges. American educationists show a fairly sharp difference of opinion on this point. One school of thought, for reasons which have been indicated above, advocate expansion of facilities to meet the desire for higher education on a universal scale. Some of the State Universities have a provision that any pupil who completes the school course is entitled to admission to the University. Fortunately for higher education in America, every one who is thus eligible does not elect to go to the University. If everyone who completed secondary education opted for college, the number of collegiate students in 1961-65 would perhaps be nearer 10 million!

The estimated figure of 6.5 million is itself almost unmanageable. Ten million in Universities would be beyond the capacity of even a country so rich as the United States. Universities have adopted various devices to limit the number of entrants. Even State Universities which are required by law to admit every eligible applicant get round by leaving it open to faculties to refuse him enrolment. Cases have been reported where a pupil after admission into the University has been rejected by one faculty after another. The process has sometimes taken a year or more but finally he has had to leave because no faculty would accept him. Sometimes students refused by all other faculties have crowded into the faculty of physical education! Serious educationists recognise that this is a most unsatisfactory way of dealing with the situation. It is far better to limit numbers in Universities in an open and explicit manner. Provided the selection is based on merit and no special consideration is paid to wealth or family, such restriction of admission into the University is by no means incompatible with democracy.

BUDGETARY TRENDS IN INDIA & CHINA: 1951-1956

CERTAIN particulars of China's State Budget for 1956, which was approved by the third session of the National People's Congress on June 30, have been made public in the July issue of "People's China". "The Eastern Economist" takes this opportunity to review the budgetary trends in Communist China since 1950, and to compare them with those of the democratic and to compare them with those of the democratic budgets of the Indian Union. Table I overleaf sets out the revenue and expenditure of China's state budgets since 1950 in absolute figures. A cursory glance at these figures reveals the galloping pace with which the size of the budget has been increasing; between 1950 and 1953, the revenue receipts more than trebled. If and 1953, the revenue receipts more than trebled. If necessary adjustments are made for changes in currency units, the size of the budget in 1956 turns out to

be more than four times the size of the 1950 budget. It is apparent, however, that the rise was very steep in the first three years as compared with the last three.

The absolute figures of revenue in yuan are, as a matter of fact, highly misleading and cannot be used for comparison with the Indian budgetary figures after conversion into rupees at the official rate of exchange because they suffer from three major drawbacks. First, whereas the Indian price level has been fairly steady since 1950, the Chinese prices have been subject to great inflationary pressures and, despite a policy of controls, have recorded a significant rise in prices. Second, the Chinese budgets include the revenue of state enterprises (including joint state-private enterprises) which constitute nearly half the total revenue of the state; in the

Indian context, it amounts to including the revenue of public sector enterprises such as Sindri and Chittaranjan in the total revenue of the state. Third, the Chinese budget is highly centralised and includes the budgets of the local bodies. For a proper comparison of the two, it is necessary that all these factors must be taken into consideration.

Before attempting an analysis of Table II below, it is necessary to state that the Chinese budget in 1956 showed a gap which was filled with the help of foreign aid; whereas the current year's revenue actually increased by 15.83 per cent, the expenditure rose by 22.77 per cent over 1955. Here is a point of similarity in both the Indian and the Chinese Budgets. The gaps in resources which are of a marginal nature are filled with the help of foreign aid.

Table II compares the revenue and expenditure in the Chinese and Indian Budgets for the years 1950 and 1956 in percentage terms. In the case of the Indian budgets both the revenue and the capital budgets have been added up; if only the revenue account was considered, the comparison would have been inadequate because 85 per cent of the receipts under the revenue account are obtained through taxation. The Capital budget depends mostly on loans and credits. The state budgets have not been included in the Indian figures, even though it is known that the Chinese budget incorporates the budgets of the local bodies as well.

The table brings out one fact very clearly that whereas the Chinese budget is dependent, first, upon the revenue of the state enterprises and then on taxation, the total budget of the Indian Government on both the revenue and capital accounts relies, first on the loans from the people and second on taxation.

Income from state enterprises constitutes, in the case of the Chinese budget, half the total revenue and if the taxes from these enterprises are also included, they make up nearly 80 per cent of the revenue. The socialised sector of the national economy in China plays the dominant role and continues to engulf the private sector of which very little now remains. It is esti-

mated that by the end of 1956, 95 per cent of the industrial output will be accounted for by the state and joint state-private industrial enterprises.

In India state trading has spread only over a small area, while in China foreign trade as well as domestic trade come within the purview of the state trading companies which indirectly impose and collect a hidden type of tax by fixing the prices of agricultural and industrial products. Agricultural products bought from the private rural sector are sold to the urban areas with substantial profit margins, and similarly industrial products sold to the rural areas bring in profits which help in covering the losses of other state enterprises, especially the heavy industries. Taxation occupies the second place both in India and China. In China, however, the ratio of taxation to the total revenue is on the decline, especially after the expansion of the state enterprises. Whereas in 1950, taxes formed 70.6 per cent of the total revenue in 1956 they had dropped to 47.0 per cent only. The fall was of an abrupt character and occurred mainly in 1951 (57.1 per cent) and 1952 (50.9 per cent).

In the Indian budget, bonds, loans and credits play the leading role; in China, their share has never been very important. Contribution from bonds which formed 5 per cent of the total revenue in 1950 fell to 3 per cent in 1956. Similar is the fate of "other sources" which were composed of confiscation of property from "liquidated landlords" and "bureaucratic capitalists".

Economic construction in China claims 52.2 per cent of the total revenue. The emphasis is on capital construction; the Chinese are, however, not building the heavier industries at the cost of the lighter industries. The importance of consumer goods in the economy is fully realised.

It is significant, however, that both India and China have reduced their expenditure on defence in percentage terms. Indian expenditure on administration seems to be on the high side, but it is due to the fact that for certain demands on revenue clear-cut details were not available; it is probable that a part of what has been lumped under administration pertains to administrative cost of economic construction.

I.					
	1952 (PBY 1,000 million)	1953 (Million yuan)	1955 (Million yuan)	1956 (Million yaun)	
	96,218	114,685	13,781	14,455	
	46,579	69,985	11,116	14,815	
	2,510	10,280	3,153)	769	
	43,971	38,549	)	704	
	189,278	233,499	28,050	30,743	
	73,070	103,527	14,189	16,054	
	22,333	34,807	3,851	3,917	
	42,777	52,254	7,193	6,142	
	19,337	23,780	2,242	2,410	
	5,702	19,131	2,262	2,220	
	163,219	233,499	24,737	30,743	

TABLE II (a) GOVERNMENT REVENUE (In percentages)				
	INDIA		CHINA	
	1950-51	1956-57	1950	1956
i) Taxes	56.0	35.8	70.6	47.0
ii) Receipts from State enterprises	11.2	4.6	12.5	48.2
iii) Bonds & loans	32.8	59.6	4.7	2.5
iv) Other sources			12.2	2.3
TOTAL:	100.0	100.0	100.0	100.0

Note: 1954 figures not available.

TABLE II (b) GOVERNMENT EXPENDITURE (In percentages)				
	INDIA		CHINA	
	1950-51	1956-57	1950	1956
i) Economic construction:	26.0	..)	25.5	52.2
ii) Social, cultural & education	8.6	46.0)	11.1	12.3
iii) National Defence	31.9	19.9	41.5	20.0
iv) Administration	12.4	13.4	19.3	7.8
v) Credits, loans, etc.	20.6	20.7	2.6	7.2
TOTAL	100.0	100.0	100.0	100.0

The Business World

RESOLVING THE RAYON RIDDLE

By
CROESUS

IN the table showing the annual capacity and targets of production at the end of the second Plan period according to our planners, a rather intriguing feature is that, in quite a few cases, the figures of both annual capacity and production target are identical. Although this may not be impracticable, at least in some cases, the normal practice would appear to be always to assume a slightly lower figure for production vis-a-vis the annual installed capacity. No one seems to know the reasons that must have weighed with the Planning Commission in compiling a target table like this. Anyway, this makes the table appear unrealistic, even as does the gross underestimate of the production target in 1960-61 of some items, such as, for example, staple fibre. There is only one unit of this industry in the country and anyone who cares to find out its rated capacity and actual production will not find it difficult to get the information. It is known that the present capacity itself of the unit is over 20 million lbs. and also that this is going to be doubled this November (November, 1956). But the table in question gives the present capacity (as on 31-3-1956) as 16 million lbs. and the annual capacity and target to be reached in 1960-61 as 32 million lbs!

Be that as it may, there are a few industries in which production must needs be below capacity, and the rayon industry is one such, as a recent representation by the Secretary of the Rayon Manufacturers' Association (R.M.A.) to the Chairman of the Planning Commission reveals. He has made it clear in this representation that an actual production of 68 million lbs. (viscose rayon) is not at all possible with a plant capacity of just 68 million lbs., as has been shown in capacity of just 68 million lbs., as has been shown in Table II P. 424 of the final Report of the second Five-Year Plan. There is no explanatory note either at the foot of the said table or anywhere else in the body of the Report giving reasons for fixing the limit at this figure. But, to some extent, the manufacturing units in the country themselves may be said to be responsible for this. For, while mentioning their respective capacities they seem to have given the higher production figures obtained by them after raising the speed by about 40 per cent beyond the speed recommended by the manufacturers. Surely, it is not correct to take this latter as the installed capacity, as both the industry and the Government have done.

Now, the capacity of a rayon plant is always expressed in terms of 150 denier; so, if the plant produces yarn of other deniers, its capacity is correspondingly affected. At present, the two viscose rayon plants in our country are manufacturing both 150 denier and 120 denier yarns which account for about 50 per cent of the total demand for this variety of rayon of all deniers in the country, the other 50 per cent of the demand being for rayon of 100, 75 or 60 deniers, most of which is today imported. In order to ascertain the capacity, the average of all the denier yarns used must be obtained first. (Denier, by the way, means the weight in grams of 9,000 meters of yarn). Based on the figure of 150 and 120 denier yarns produced in the country and also of those of the yarn imported, the R.M.A. has computed that the average consumption figure works out to 107 deniers. This means that the capacity must be stepped up in the proportion of 107 : 150 to get the desired target of production. Thus,

if 68 million lbs., as the Planning Commission has targeted, is desired in 1960-61, the annual capacity of the plant would have to be not just 68 million lbs. but very much more, say 94 or 95 million lbs. Here again, another factor comes in, namely that of efficiency. It is obvious that a plant can yield a given production only if it runs at cent per cent efficiency, which, of course, is not always the case; a margin of at least 5 to 6 per cent is, therefore, allowed to be on the safe side. In other words, to get 68 million lbs. actual production of all the different denier yarns required for use by the country, the viscose rayon plant capacity alone must be not 95 million lbs. but higher still, namely, 100 million lbs. This is one aspect of the Planning Commission's target for the Indian (viscose) rayon industry.

Another aspect is whether the figure of 68 million lbs. assumed by the Planning Commission as the target is adequate. In the considered opinion of the R.M.A., this target is "rather on the low side". I am inclined to agree with the R.M.A., inasmuch as it bases its conclusion on the latest report of the Tariff Commission on the protection to the artificial silk fabric industry. In this report, the Tariff Commission has referred to the domestic capacity of the powerloom sector of the weaving industry to produce rayon fabrics on the assumption that these looms generally operate two shifts and has estimated the capacity at about 370 million yards of rayon fabrics per annum, the actual production being put lower still. The actual production was less, it has been explained, because of two factors — inadequate supplies and high prices. So, if adequate supplies at reasonable prices could be ensured, the industry could work to maximum capacity and even three shifts, if need be and given the demand. But, to be on the conservative side, even if 370 million yards of rayon fabrics are assumed as being the total requirements of the powerloom sector — there is nothing wrong in doing this, because, since the Tariff Commission reported, nearly two years have elapsed and, during this period, the country's population has increased by at least 9 million persons — and adding a further 6 million yards of rayon fabrics as the capacity of the handloom sector (also working on double shift only), the total yarn needed works out to about 63 million lbs. on the basis of 6 yards of cloth per lb. of yarn. However, the R.M.A. estimates the domestic capacity of the entire weaving industry, including handloom and powerloom, to be easily 600 million yards, if worked on double shift only, and so works out the country's total consumption of viscose rayon at 100 million lbs. of all deniers.

For a correct estimate of the capacity needed in 1960-61, however, it is not enough to consider merely the capacity of the weaving industry only. The consumption demand is also a material factor. According to the Tariff Commission, the demand for rayon fabrics in 1954 was 300 million yards, giving a figure of 50 million lbs. as the total rayon yarn requirements of the country. Taking into account the growth of population between 1954 and 1961, this figure itself would have to be stepped up to about 322 million yards, but it is the feeling of the R.M.A. that the per capita consumption of rayon cloth assumed by the Tariff Commission is very low. In support of this, it quotes statis-

tics from the "Textile Organon" of June, 1956, which shows that consumption of rayon all over the world has been steadily rising and argues that it is reasonable to expect that a similar trend would manifest itself in India also, the more so with the sharp rise in incomes of the working classes who go in mostly for rayon because it happens to have the appearance of silk though costing no more than cotton cloth. On this basis, the Association expects the demand to go up to 430 million yards rayon cloth or about 72 million lbs. in terms of yarn. If other miscellaneous requirements of rayon yarn, such as saree borders, mantles for gas lamps, etc. are also taken into account, this figure would easily go up to 75 million lbs. Yet this takes no account of possible exports for which prospects would appear to be quite promising. With the establishment of the Art Silk Research Association and the taking up soon of the manufacture of rayon grade caustic soda and pulp, it is believed, the Indian rayon industry could well compete in the export markets and secure a market for a further 60 million yards of rayon fabrics. All these would swell the total requirements of rayon yarn to some 85 million lbs. which means that the installed capacity must be higher than even 100 million lbs.

It may be asked whether it is worth while our wanting to manufacture all this quantity and where we are going to find the funds for financing the further large capital outlay involved. The R.M.A. seems to have anticipated this and has produced statistics of the imports of yarn since 1951 when the rayon industry was started in India, to show that, on an average, the country has been spending about Rs. 13.33 crores per year on imports of rayon yarn into this country. With each year, despite the rising indigenous production, the imports also have been rising, thus showing a definite tendency towards a steadily increasing demand for rayon goods in the country. In view of this, it has

been pertinently observed that there is a very good case for further development of the rayon industry. If the rayon manufacturing industry were completely developed so as to make the country self-sufficient in the matter of rayon yarn, it is pointed out, the only foreign exchange that the country would require to spend to keep the industry, both spinning and weaving, going is that needed to import pulp and sulphur, the cost of the components of which per lb. of yarn is only eleven annas, as against the average price of Rs. 2-6 per yard of imported yarn. The resultant saving of Rs. 1-11 per lb. compares with Rs. 3-8 to Rs. 4 per lb. of annual capacity for importing machinery and other capital goods for starting an indigenous rayon manufacturing industry. Thus, within a period of 2 to 2½ years, the country would have reimbursed itself the entire cost of capital outlay, if it were completely to develop its own rayon industry. Moreover, the need for the maximum development of the rayon industry arises also because of the outlet it must provide for the output of pulp and rayon grade caustic soda that is being planned already. The pulp plant, for instance, must have a minimum rated capacity of at least 100 to 200 tons per day to be economically operated and to pay its way.

Finally, there is just one other important aspect of the target to be borne in mind in connection with the development of the rayon industry. It is that, if a given annual installed capacity is desired in, say, 1961, the work must start at least 2 to 3 years before hand, as it takes a minimum of this much interval from the time of the grant of a licence until the completion of the erection of plant and machinery and the starting of actual operations. This means that, if the target is to be reached, preliminaries must start almost rightaway. The R.M.A. has alerted the Planning Commission in time and it is up to the latter now to act.

TUG-OF-WAR IN TEXTILES

By
CROESUS

WITH studied determination, the Government seems to be bent on dealing blow after blow at the cotton mill industry. First, it was the increase in the excise duty on all varieties of cloth; close on its heels came the announcement of the so-called fair prices; then came, through the Reserve Bank of India, the credit squeeze, followed, in its wake, by the much-debated restriction on cloth stocks. The sequence of these developments clearly leads one to the irresistible conclusion that the authorities are presumably out to impose more and more restrictions on the cotton mill industry and trade, all, of course, in the national interest! The question that certain textile circles have been asking, therefore, is: Where will it all end? Does it indicate an out-and-out controlled textile economy ventually?

It would seem that the Government is apparently obsessed with the idea that, by controlling production and distribution, it could check rising prices. Theoretically, of course, this could be done, but, even here, it must be noted, success can be guaranteed only if and when effective control is enforced, and not otherwise. It is true that there is an official ceiling on mill production, which has been pegged at 5,000 million yards (exclusive of the latest addition to this quantity exclusively set apart from exports) on the recommendation of the Karve Committee. But the rate of production in the past few months, as has ere now been disclosed in these columns, has been at a much faster pace. The steadily accelerating tempo of cloth is a

clear justification, if any were needed, for the lifting of the ban on production, a measure to which the Government also does not seem to be entirely opposed.

What about distribution? The Government seems to think that, by setting a certain limit, mills and wholesalers could be prevented from stocking cloth beyond that limit. The threat of penal prosecution is an afterthought, as it were, to enforce it. Apart from the dubious legality of any such action under the existing law, it is well known that the correct stock position of mills, or of the wholesalers for that matter, is rarely, if ever, given for public consumption for strategic reasons. Any attempt on the part of the Government in this direction is, therefore, bound to prove abortive. Moreover, it would be as difficult for the Government to point out that a given mill has been 'hoarding' merely by reason of its holding more than one month's stock unsold as it would be easy for the mills, especially the larger units, to thwart the Government's intention by distributing whatever stocks they may have with them among their entire network of retail depots.

In the case of wholesale dealers, the blanket ban on their stocks beyond a certain volume is a double punishment. For, as it is, they are asked by the mills to share a part of the additional excise duty with a view to preventing the consumer from paying a higher price on his cloth. Much as they may like to, if only for maintaining cordial relations, the wholesalers are not in a position to share this burden, thanks to the

Government's announcement of 'fair prices,' which, however, are not considered to be quite as fair by the trade. In deciding on the reasonable and fair prices, the authorities have obviously taken into account only the interest of the consumer, with little thought to the supply-demand position of cloth in the country. In the circumstances, it is no wonder that wholesalers are reluctant to share the additional increase in the excise duty along with the mills. Inasmuch as the authorities have already fixed the fair prices, the wholesalers have perforce to take these prices into their calculations before making a deal with the mills. With the profit margin already narrowed down by the fair price, the wholesalers argue they are really hard put to it to share with the mills the additional burden of excise duties.

And what about the limitation on the wholesalers' stocks? Already, by virtue of the Reserve Bank's credit curb, their capacity to hold a reasonable stock as dictated by the normal inter-play of market factors has been considerably curtailed. To the argument of the mills that the limitation on their stocks would drive the mills to dispose of their stocks at steadily reduced prices for fear that undisposed of stocks of over a month would attract Government's attention, whereas the wholesalers have been given sufficient time to dispose of their stocks so that they do not stand to lose, the latter argue that they are even now faced with a conspicuous consumer-resistance and that their lot is no better. It is thus clear that both the mills and the wholesalers have been affected rather badly by the latest curb on mill cloth stocks.

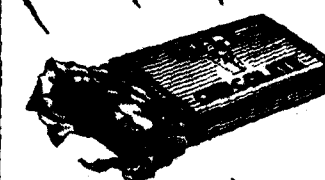
What about the Government's objective of keeping down prices of cloth? This is hardly likely to be achieved either. For, with every successive measure in the form of restrictions and more restrictions, the industry is bound to feel its hands completely tied in the matter of production. Thus, the limitation on cloth production, which is already there, and which is the main factor behind the rise in prices and the oppressive or suppressive measures that have followed, is made more acute, and, because of this, it is only logical to presume that the price situation would become worse than before.

Even with regard to the present production, the Government's Operation Limitation would soon bring about a situation when accumulation of stocks would be the order of the day, despite Government's threat of prosecution. For, there is both a positive and a negative aspect to the issue of accumulation of stocks. Mills could hold back sales and thus contribute to increasing stocks; alternatively, the consumers themselves could hold back and thus contribute indirectly to the accumulation of stocks. The latest trend in consumer-resistance is, therefore, of ominous significance. Consumer-resistance is only another phrase to denote restriction on consumption, about which the Union Finance Minister made repeated references in his reply to criticisms on the additional increase in excise levy. Perhaps this is an achievement for which he may take credit. If prices do not come down, consumers should restrict consumption of cloth, he had pleaded. Maybe, consumer-resistance in limited doses could keep the price trend healthy, but a deliberate and protracted period of reduced consumption in any field of economic development, especially if it is not accompanied by at least a corresponding increase in exports, is bound to bring about serious repercussions, which might prove to be beyond repair. Inasmuch as the textile industry is the second largest unit of the organised section of the Indian industries with an investment of Rs. 113 crores and over, any unthinking or undue interference

with the industry either as regards production or as regards prices or profits, is fraught with grave consequences.



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BUSINESS NOTES

INDUSTRIAL FINANCE CORPORATION

THE PROGRESS of the Industrial Finance Corporation of India during the year ended June 30, 1956, highlights the fact that the Corporation undertook effective measures of rationalisation in its financial, managerial and administrative operations. It is good that these measures have been introduced and carried some way on the eve of the second Five-Year Plan. Their firm implementation gives an assurance that the Corporation will be well-armed to take up the onerous responsibilities which will devolve on it as a result of larger demands for industrial finance during the present Plan.

The financial operations during the year under review reveal that the Corporation made a net profit, after providing for taxation, of Rs. 22.50 lakhs. This is a creditable performance. The entire amount of the net profit, however, has been transferred to the Reserve for Bad and Doubtful Debts primarily due to the magnitude of estimated losses in the account of the Sodapore Glass Works. In the current year complete provision under this head will be made and thereafter there will no longer be any necessity to fall back on the Central Government's subvention to pay the guaranteed dividend to shareholders. The legacy of the past will thus be wiped out and the Corporation's financial structure will be put on a sound and dynamic basis.

Mr. K. R. K. Menon, Chairman of the Corporation, has given a balanced picture of the promising prospect that lies ahead in his address at last week's annual meeting. The total amount of loans sanctioned during the year rose to Rs. 15.13 crores, which was more than double the sanctions of the previous year and nearly four times the average annual sanctions over the previous seven years. During the second Plan period much greater demands will be made on the lending resources of the Corporation. The Plan envisages a provision of 15 crores for the Corporation to meet additional demands on it. Mr. Menon is right in pointing out that this provision is inadequate and negotiations are to be started shortly with the Government to take effective steps to raise this modest target. In this context it will be pertinent to observe that the Corporation's own financial resources are being exhausted and a programme of raising additional resources by borrowing will have to be drawn up. This trend only implies that the Corporation is getting fast into real stride as an industrial banker.

One of the chronic drawbacks of industrial finance agencies in this country has been inordinate procedural delays which enhance the difficulties of the agencies as well as of their clients. The Industrial Corporation has rationalised its administrative procedures in a number of important directions to cut these irksome delays. Legal scrutiny into clients' title to property is expedited by the experimental cadre of full time legal experts, conditions of mortgage deeds have been standardised to the extent possible, terms governing the grant of interim loans have been liberalised and considerable overhaul in the administrative set-up has been introduced. There are, however, handicaps by way of competition from sources which enjoy positive advantageous position. The Industrial Credit and Investment Corporation of India and the National Industrial Development Corporation which are new entrants will undertake overlapping functions. Some of the State Governments are offering loans at interest rates as low as half of the Corporation's rate on easier terms. But the volume of demand for industrial credit will be large enough for all and the Corporation gives reasonable promise that it will prove increasingly effective to discharge its share of the task.

PRICE STABILITY IN THE SECOND PLAN

THE RECENT behaviour of prices has caused considerable anxious thought about the likely effect of the scheme of financial resources in the second Five-Year Plan. The spectre of inflation haunted the public mind only a couple of months back, and although the stress which it threatened to exercise has eased in some degree, it has not ceased. The gap of Rs. 1,600 crores in rupee resources has become an important topic of debate. It will be over simplification of the situation to attribute the price increase straightaway to deficit financing or to the increase in money supply. The price level is a complex of several ingredients. What needs to be remembered is that in a marginal economy like that of India the price level is highly sensitive to small variations in physical supplies particularly of goods. Mr. Gopikrishna Khemka, President of the Bharat Chamber of Commerce, has thought it advisable to draw primary attention to the problem of inflation. He has taken various economic indicators pertaining to the first Five-Year Plan and the short period that followed the commencement of the second Five-Year Plan. The conclusion which the analysis of indicators establishes needs reiteration. Food grain production is the major ingredient in overall production which has an immediate and definite correlation with the general level of prices. Other types of consumer production come next.

Mr. Khemka has emphasized that food grain production must be stepped up and he endorses the revised view of the Government and the Planning Commission that the target of agricultural production should be raised from 18 per cent to at least 30 per cent. He points out that this result is to be achieved with a stress on higher per acre and per worker productivity. Similarly, he explains the inadequacy of the target of an increase of 18 per cent in the output of consumer goods manufactured by factories, and although he does not specifically mention a definite higher target, he has suggested a number of steps to raise it, among which provision of credit and preparation of blue prints for the guidance of small enterprisers are most essential. It was not, however, to be expected that these ideas should be crystallised fully in a brief speech. But it is obvious that any increase in the output of agricultural and small and medium consumer goods industries, depending heavily on rupee resources, must involve a re-allocation of the outlay envisaged in the second Plan. The broad nature of this re-allocation needs to be defined to ensure that the price line would be held in proper check.

TEA EXPORTS TO U.K.

INDIA'S ADVERSE balance of trade with the UK in the first seven months of 1956 of the order of £13.5 million has been mainly brought about by a distinct decline in the value of tea exports, coupled with sizable increases in the import of machinery other than electric machinery, chemicals and even road vehicles and aircraft, as also textiles. Thus, the value of exports of tea for the first seven months in 1956 at £35,802,000 was a distinct climb-down from £45,012,000 recorded for the first seven months in 1955. It may be recalled here that, during the whole year 1955, the aggregate value of tea exported to Britain amounted to £75,420,000.

The importance of tea exports, which was responsible for securing a foreign exchange earning to India of as much as Rs. 109 crores during 1955-56, cannot be overemphasised. Both the Government of India and the Indian Tea Board have been alive to the need for keeping in touch with the trend in this trade with a

view to maintaining a steady increase in the export of tea, as has been evidenced by the institution of tea councils in the USA, Canada, Ireland, West Germany, and the Netherlands. The main reason for the fall in the value of tea exports to the UK — which accounts for 70 per cent of the offtake of Indian tea — has been the price factor. It was also, in part, due to the restrictions on shipment to the London auctions. Even otherwise, there has been a steady decline in recent years in tea exports to the U.K. Thus, these exports fell from 340.2 million lbs. in 1953-54 to 319.5 million lbs. in 1954-55 and further to 277.0 million lbs in 1955-56 (from April 1 to March 31). Actually, during the seven-month period under review, India accounted for over 55 per cent of the tea exports to the UK which amounted to 315,376,000 lbs. This latter figure, by the way, represents an increase of 24,000,000 lbs. over that for the corresponding period in 1955. If it is any consolation, there has been a considerable increase in the consumption of tea in the Middle Eastern countries. This and the anticipated new outlets for Indian exports of tea in Russia, which is negotiating for buying 28 million lbs., and other East European countries might enable the country to reach the target of 500 million lbs. for tea exports during the second Five Year Plan period.

INDIAN IRON'S DIVIDEND FOR 1955

THE CONTINUED uncertainty hanging over the actual rate of dividend on the share capital of the Indian Iron and Steel Company for the year ended December, 1955, has now been removed and shareholders have been told that efforts to secure higher dividend than in the past could not bear fruit. It is obvious that higher dividend was desired for two reasons—higher earnings of profit and the management's decision to approach the capital market for subscription to the new issue. The whole problem has been set at rest by a positive directive from the Ministry of Heavy Industries. The final position as it has now emerged is that the status quo will be maintained in dividend distribution at Re. 1 per share of the face value of Rs. 10 each.

Government's firm 'no' has been motivated by considerations of a restrained policy in distribution of profits in a phase in which the company is engaged in a heavy and ambitious programme of expansion. Already the company has taken two development loans from the Government and a Government-guaranteed loan of \$31.5 million from the International Bank for Reconstruction and Development and it proposes to obtain another loan from the IBRD. While these loans are outstanding and further borrowing for expansion is under active effort, while a broad and solid foundation is being laid for large-scale expansion of the enterprise, considerations of higher dividend have to be subordinated to higher considerations in financial management to take proper account of loan redemption. In reply to the query why restraint on dividend was not made a condition precedent of the loans or Government's guarantee for IBRD's loan, the Ministry has pointed out that this was not necessary since it was made clear in the course of negotiations for the loans that Government's consent would be necessary in the matter of appropriations of profits. This approach leaves the door open for flexibility when in particular situations of any years relaxation in dividend distribution policy may be expedient. The new share issue has been directed to be made at a premium of Rs. 3-8, or 35 per cent, taking the issue price to Rs. 13-8. This decision appears to have been based on expectations that the stock market will react to prospective, assured levels of progress and prosperity. Of this, there is ample convincing evidence.

MYSORE PAPER MILLS

DECLARATION OF a total dividend of 10 per cent consisting of dividend proper at 6½ per cent and bonus

at the rate of 3½ per cent, highlights the results of the financial working of the Mysore Paper Mills for the year ended 31st March, 1956. The Industrial Finance Corporation of India from which the company has taken a development loan readily gave its consent to the dividend of this order which in itself is a certificate of good performance. Rs. 10.84 lakhs have been provided for depreciation and Rs. 2.94 lakhs have been paid as interest. The net profit, in spite of these higher appropriations, was raised to Rs. 4.62 lakhs—an increase of Rs. 0.88 lakhs above the previous year. Rs. 2 lakhs have been transferred from net profits to the Industrial Finance Corporation of India Loan Redemption Fund set up in the previous year. A suitable amount was appropriated to gratuity, a separate account was created for the Provident Fund and bonus has been sanctioned at the rate of three months' basic pay. The management's policy was rewarded by good labour relations.

Financial buoyancy in the operations of the company reflects the results of rationalisation and expansion programmes completed during the year under report. The pulp plant which was put into commission for production of pulp from indigenous raw materials has not only made considerable economies possible by a substantial diversion from the use of costly wood pulp but increased the output of paper by 25 per cent. Installation of other equipment—vacuum filters, electrolyser and soda recovery plant—has further vitalised the capacity of the factory. The phase of large-scale production with attendant improvement in economy and efficiency has now started. The target of output has been very nearly doubled to 8,000 tons. The optimism expressed by the Chairman, Mr. T. Kamanna, in successfully embarking upon a further programme of expansion is justified by the progress achieved so far and the potential demand for paper in the coming years.

NEW LOOK FOR RAILWAYS

A SIGNIFICANT development, which will itself prove to be a landmark in the history of the Indian railways, is the innovation of an air-conditioned third class train between Delhi and Calcutta this week. The successful management of this latest scheme should pave the way for its selective extension. The decision to introduce with effect from November or thereabout a completely air-conditioned crack train between Bombay and Delhi must certainly find favour with the general travelling public. The proposal to institute a daily Janta train between Bombay and Delhi is but a recognition of the increasing number of passengers that travel between the two important landmarks of the country, the commercial and the political capitals of the nation. A strong note of caution must be uttered here. It will be recalled that a few years ago a daily Janata express train introduced between Delhi and Bombay was totally abolished on the ground of insufficiency of traffic. In case the average volume of traffic again proves inadequate to sustain a daily service, frequency should be reduced to thrice a week or so. But in no case should the policy of swinging to an extreme course be repeated.

True, the authorities have been making serious efforts to give better passenger amenities to railway travellers. But, by and large these are still few and far between and the third class travellers, the real 'Janata' of the land, especially have been left with much to grieve about yet. The introduction of Janata trains has meant a real and far-reaching improvement in respect of conditions of travelling of class III people. But then the snail pace of several other trains, express trains not excluded, and the time-lag between the promise of a new change and the actual implementation thereof upset them not unnaturally.

Company Meeting

TEXTILE MACHINERY CORPORATION LTD.

STEADY PROGRESS: NEW EXPANSION SCHEMES

The following is the text of the speech delivered by Mr. K. K. Birla, Chairman of the Textile Machinery Corporation Ltd., at the sixteenth annual general meeting of the shareholders of the Company on September 24, 1956:

It gives me great pleasure to welcome you to this annual meeting of the Textile Machinery Corporation Ltd. The Directors' Report and the audited accounts and balance sheet for the year ended December 31, 1955, are already with you and with your permission I will take them as read.

From the Directors' Report you will see that our Company has been making steady progress; we have widened the scope of our activities. Several agreements have been entered into with reputed foreign concerns by means of which we have secured technical know-how for producing certain new articles, namely, items of cotton spinning machinery, card clothing, jute spinning machinery, water tube boilers and sugar mill machinery, all of which we intend to make on a fairly substantial scale. These expansion schemes, as you may well imagine, will require additional financial outlay and for this purpose the authorized capital of our Company has been increased during the year from Rs. 1.5 crores to Rs. 4 crores and the paid-up capital from Rs. 1 crore to Rs. 1.9 crores.

In our Cotton Textile Machinery Division we have raised our output of ring spinning frames and spares in order to cope with the present demand within the country. This higher demand arises out of the revised policy of the Government of India in regard to expansion of spindleage and loomage in cotton mills. Several mills have been permitted to expand and new mills are being set up. Installation of automatic looms has also been permitted. These are welcome signs of a change in the outlook of our national planners which the mills as well as machinery makers have been waiting for after a considerable period of stagnation. One hopes that the increase in activity this new policy has engendered will be sustained and that the Government will create the necessary conditions to make it stay. The time is now ripe for a review of the capacity existing in this country for the manufacture of looms and ring frames and the capacity now being created for back processes machinery. The indigenous manufacturing interests have shown commendable speed in the past in availing themselves of opportunities for increasing their ranges of production. They have the resources and they are prepared to expand further and we hope they will.

PRODUCTION CONTROL

Our cotton ring spinning frame production, as I have mentioned earlier, is on a much higher scale than hitherto. We are applying the latest methods in production control calculated to ensure maximum utilization of plant capacity and economies in consumption of material. There has been a substantial improvement in the quality of our frames. A statistical quality control unit has been started here whose work has a very large measure helped to locate and eliminate flaws developing at the different stages of manufacture.

We are glad also to note that standard specifications for component parts including those of our products are being evolved by the technical sub-committees constituted by the Indian Standards Institution.

Our carding engine production in which we are being assisted by our Japanese collaborators, M/s. Howa Machinery Ltd., is progressing satisfactorily. The first batch of our carding engines which we hope to put on the market within a few months will have a small proportion of imported components. A year hence we expect to make complete carding engines in our own works.

I have already referred to card clothing as a new line to be undertaken by us. A separate factory has to be set up for this purpose. Our Japanese collaborators in this project, M/s. Kanai Juyo Kogyo Ltd., will soon be sending here a team of experts to help us in choosing a suitable factory site and also to install the plant. We shall have sufficient capacity installed to produce a fairly big portion of the indigenous demand for card clothing.

In our jute mill machinery project we have made a start on spinning frames. We shall be making only a few frames this year with a portion of their components made by our collaborators, M/s. Fairbairn Lawson Combe Barbour Ltd., Leeds. Side by side with this, we are planning for large scale manufacture and for progressive increases in the proportion of components to be made here.

Jute mills in the country have a big programme for rehabilitation of plant and we hope to be able to supply a fairly substantial portion of their requirements in this.

BOILERS AND WAGONS

Our Boiler and Heavy Engineering Division has also been working satisfactorily. We have been making industrial boilers till now of the Shell type only. We shall soon be making water tube boilers also. We have entered into an agreement with Combustion Engineering Inc. of New York for technical collaboration in this project. For the Railways we are making locomotive boilers.

Our wagon production is now on a sound footing. In the current year we shall be changing over from metre gauge to broad gauge wagons. We have some capacity for passenger coaching underframes too; this line will be developed after we have secured an order for this item from the Railways. There are certain other lines as well of railway equipment which we hope to develop by and by. The Railways have done a very useful service to manufacturing interests by opening show rooms displaying the goods they import. We are grateful to them and to the Railway Equipment Committee for their very many helpful suggestions.

COMMODITY NEWS AND NOTES

FIRST ALL-INDIA ESTIMATE OF COTTON FOR 1956-57

The First All-India Estimate of Cotton for 1956-57 puts the current year's area at 14,602,000 acres as against the Adjusted First Estimate of 13,175,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 1,427,000 acres or 10.8 per cent in area during the current year as compared to last year. The overall increase in area during the current year has been shared by almost all the cotton growing States and is marked in Saurashtra, Bombay, Madhya Bharat, Hyderabad, Punjab, Rajasthan and Madhya Pradesh. The increase in area has been attributed to favourable weather conditions at the sowing time and to developmental schemes undertaken under the Cotton Extension Schemes. The increase, has, however, been offset to a small extent by decreases reported by Bhopal, Bihar, Andhra and Tripura. Among the different varieties of cotton, the increase in area has occurred mostly in Dholeras, Jarilla (including Virnar), Bengals and Southern. A considerable decrease in acreage has, however, been reported in Oomras. As regards staple lengths major increases have been shared by medium and long staple varieties. The information given in this Estimate relates generally to the period up to the end of July, 1956. Till then, the condition of the crop was reported to be, on the whole, satisfactory. In parts of Bombay, however, the crop was reported to have been adversely affected by heavy and continuous rains and attack of insects and pests. This Estimate does not cover the entire area sown to cotton crop during 1956-57. Past experience has shown that the area at the First Estimate stage forms roughly 65 per cent of the area under the crop finally reported.

WORLD WOOL OUTPUT

World wool production is expected to set up a new record in the 1956-57 season, states the Commonwealth Economic Committee. Preliminary estimates indicate that the clip will be 3 per cent larger than in the previous season. Production in the free world is forecast at some 4,117 million lbs. (greasy basis) compared with 4,002 million lbs. in the previous season. Total world production is estimated at 4,940 million lbs. compared with 4,800 million in 1955-56. UK production is estimated at 108 million lbs., 4 million lbs., more than the revised total for last season. On a clean basis free world production is estimated at 2,333 million lbs. or 3 per cent more than in the previous season. Total world production is put at 2,802 million lbs., an increase of 3 per cent. Merino wool again showed a larger proportionate increase than crossbred or "other" wool. The report states that during July because of the incidence of holidays there was a little change in activity in the UK wool industry as compared with June. Consumption of raw wool topmaking was slightly higher than in June, and 13 per cent better than a year ago, but in woollen spinning there was a fall of 3 per cent and 8 per cent respectively.

MALAYAN TIN OUTPUT

It is reported Malaya's post-war record production of tin continues, and the latest statistics show that in the first eight months of this year 41,596 tons were produced, or 4.5 per cent more than in the corresponding period of last year. In August, 5,296 tons were produced, or 5 per cent more than in July. At the end of August, there were 793 tin mines working. Tin industry sources, however, say that

it is ironical that this record production should be taking place when the urgent need of Malaya's mining industry is to mine all the tin-bearing land available. They point out that this record yield is being won from dwindling areas by working the land previously mined and with fewer dredges. Fewer dredges are being used because of the lack of land to work the dredges.

EXPORT OF RAW WOOL

The Government of India have reviewed the policy for export of raw wool in the light of the availability and the requirements of the indigenous industry and have decided to release a further quantity for export during the period October, 1956 to March 31, 1957. Exports will be allowed by established shippers and new comers. The details of the licensing procedure are being notified by the Export Trade Control authorities concerned.

N.-E. INDIA'S TEA CROP

The tea crop for 1956 in North-East India will be curtailed substantially, the Calcutta Tea Regulation Committee decided recently. The Committee, which comprises the tea producing associations of North-East India, took this decision to regulate the crop against excessive supply. The members of the producing associations will be advised in due course the dates from which they could cease plucking.

RUBBER CONSUMPTION IN INDIA

Consumption of rubber in India last August fell by 341 tons, while production of indigenous rubber registered a slight increase of 20 tons compared with the previous month. According to a statement issued by the Rubber Board the production and consumption figures for last August were 1750 tons and 2,307 tons respectively. Those for the previous month were 1,730 tons and 2,648 tons respectively. Consumption of imported rubber during the month was 642 tons. Stocks with estates and dealers and stock with manufacturers as on August 30, 1956, together amounted to 9,457 tons, including 517 tons of imported rubber.

JARDINE HENDERSON, LIMITED

NOTICE is hereby given that an Interim Dividend at the rate of 2½% per annum, less Indian Income-tax thereon, will be paid to the Registered holders as on the 22nd October, 1956, of the 50,000 Cumulative Preference Shares of Rs. 100 each in the Company in respect of the year ending 31st March, 1957.

The Share Transfer Books of the Preference Shares will be closed from the 15th to the 22nd October, 1956, both days inclusive.

By Order of the Board.

D. FORDWOOD,

Secretary.

4, Clive Row,
CALCUTTA-1.
October 1, 1956.

NORTHERN RAILWAY
NOTICE

The important features of the changes in Time Table that will take effect from 1-10-56 are notified below:—

I. Existing trains which will be cancelled:

(a) Nos. 12AP/9AP	Between	Amritsar and Patti.
(b) „ 10BQ/9BQ	„	Batala and Qadian.
(c) „ 10JN/9JN	„	Jullundur City and Nakodar.
(d) „ 353Up/354Dn	„	Faizabad and Lucknow.
(e) „ 2URJ	„	Rajpura & Ambala Cantt.

II. New trains which will be introduced:

(a) Nos. 7LJ/8LJ	Between	Jakhal & Ludhiana.
(b) „ 3FL/2FL	„	Faizabad & Lucknow.
(c) „ 1NM/2NM	will also run on Sunday between New Delhi and Delhi although not shown in Time Table and Guide.	
(d) „ 82Up/Dn & 81Up/Dn	Air-Conditioned Vestibuled Express.	

(i, iii) will be introduced between New Delhi and Howrah bi-weekly i.e. on Tuesday and Fridays from New Delhi and Thursdays and Sundays from Howrah to following timings:

16.30	Dep: NEW DELHI	Arr: 10.10
16.40	Arr: DELHI	Dep: 10.0
16.45	Dep: MOGHALSARAI	Arr: 9.55
5.0	Arr: HOWRAH	Dep: 21.37
5.10	Dep: HOWRAH	Arr: 21.27
15.45	Arr: HOWRAH	Dep: 12.0

These services will stop at Aligarh, Thundla, Etawah, Kanpur Central and Allahabad Stations over Northern Railway.

III. Existing train Halts cancelled:

No: 3BDH Diesel Car from Bijwasan & Patli.
No: 4BDH Diesel Car from Bijwasan.
No: 353 Up from Bhanpur, Bhadan, Mitwali, Chamrola, Dandkhan, Mehrawal, Kulwa & Wair.
No: 71 Up from Pora, Dandkhan.
No: 354 Dn. from Dadri, Chola, Danwar, Kulwa, Dandkhan, Madrak, Sasni, Pora, Chamrola, and Bhadan.
70 Dn. from Sarsaul, Karbigwan, Rasulabad, Kunwar.
48 Dn. from Malwan.

IX. Through and Sectional Services to be cancelled:—

Departure from	Time	Arrival at	Time	Trains to which attached	Class of accommodation	Remarks
1	2	3	4	5	6	7
Allahabad	9.40	Dehra Dun	7.45	3AF/73/309	I, III	
-do-	16.5	Saharanpur	17.10	351	I, III	
Amritsar	1.40	Ferozepur Cantt.	9.50	338/1JF	II, III	
Dehra Dun	20.35	Allahabad	18.55	310/74/4AFA	I, II	
Delhi	4.15	Kanpur	18.55	72	II, III	
-do-	10.10	Lucknow	4.37	4MD/4KM/354	III	
-do-	8.25	Moghalsarai	22.22	62	III	
-do-	22.30	Pathankot	14.15	311/8JMP	III	
-do-	17.55	Amritsar	1.35	2JF/335	III	
Ferozepur Cantt.	20.50	Jhansi	14.30	2	III	
-do-	12.30	Ferozepur Cantt.	6.40	1	III	
Jhansi	23.40	Lucknow	4.52	62/350/352	I, II	
Kalka					Bi-weekly	

65 Up from Sarsaul.
108 Up Amausi, Harauni, Jaitipur, Kusumbhi, Ajgain, Sonik and Magarwara.
2 LC from Ajgain.
20 Up from Kusumbhi and Ajgain.
305 Up from Sonepat.

IV. Trains diverted:

(a) No. 355 diverted to run via Agra City.
(b) No. 2AGA „ „ „ Agra Fort.
(c) No. 3ATF „ „ „ Rajakimandi and Agra City.
(d) No. 1AC „ „ „ Agra City and Rajakimandi.

V. Trains amalgamated to run as through trains:

No. 2TA and 1TF, 4TF/1TA will be amalgamated and run as through trains between Agra Cantt. and Farrukhabad and renumbered as 3ATF and 4ATF. These trains will carry only I and III passengers.

VI. Additional Stoppages allowed:

(a) 303Up/304Dn. will stop at Amroha under local arrangements of Divisional Sydt. Moradabad.
(b) No: 65Up will not stop at Barhan as wrongly printed in Time Table and Guide.

VII. Important changes in Mail and Express Trains:

Train No.	Station From	Dep.	Station to	Arr.
(a) 305 Up	Delhi	21-30	Pathankot	8-30
(b) 48 Dn.	Delhi	15-55	Allahabad	8-15
(c) 354 Dn.	Delhi	18-00	Lucknow	8-15
(d) 3FL	Faizabad	18-00	Lucknow	7-5
(e) 2FL	Lucknow	4-20	Faizabad	9-10
* (f) 3ATF	Agra Cantt.	22-30	Tundla	0-20
* (g) 2AC	Tundla	13-20	Agra Cantt.	14-55

* These timings are in supersession of the timings as shown in Time Table & Guide.

VIII. (a) The timings of Nos. 1 HDK and 2 HDK shuttles are liable to be changed at short notice which will be given by the Station Master, Delhi Kishanganj as these Shuttles are primarily meant for the Railway Staff.

(b) Nos. 1BDP/2BDP operating between Delhi and Palam are only meant for C.O.D. and no passengers will be booked by these trains.

Departure from	Time	Arrival at	Time	Trains to which attached	Class of accommodation	Remarks
Kanpur	8.36	Delhi	22.55	71	II, III	
Lucknow	22.10	-do-	16.12	353/3KM/3MD	III	
-do-	14.55	Kalka	6.45	73.61	I, II	
					Bi-weekly	
Moghalsarai	7.10	Delhi	20.45	61	III	
Pathankot	15.10	-do-	6.37	7JMP/312	III	
Saharanpur	9.10	Allahabad	10.32	352	I, III	

X. Through and Sectional Services to be introduced:

Amritsar	18.50	Lucknow	12.50	74	I, II
Delhi	8.35	Gaya	1.44	62	III
Bhusawal	0.32	Ferozepur Cantt.	6.40		III
Ferozepur Cantt.	20.50	Bhusawal	3.12	2	III
Gaya	4.13	Delhi	21.0	61	III
Lucknow	15.9	Amritsar	9.15	73	I, II

XI. (i) Composite bogie 1st, 2nd, and 3rd Class running between Lucknow and Agra Cantt. will be hauled by 353/356 trains leaving Lucknow at 20.10 and reaching Agra Cantt. at 9.0 hrs.

(ii) Bogies 3rd Class running between Ajmer and Jodhpur will be hauled by 203/242 and 241/204 trains.

XII. Air-condition Accommodation will be provided ex-Delhi from 1-10-1956 and ex-Lucknow from

1-10-1956 on 304/303 trains running between Delhi and Lucknow.

XIII. For other details and timings at intermediate stations, reference may be made to the October, 1956 Time Table and Guide available for sale at Railway, Bookstalls. Hindi and Gurmukhi Time Tables to come into force from 1st October, 1956 will also be available for sale at Railway Bookstalls shortly.

CHIEF OPERATING SUPERINTENDENT, NEW DELHI.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

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III. Special tissue paper edition of I, one volume, price Rs. 100 net.

IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

**THE HINDUSTAN TIMES,
NEW DELHI.**

Company Meeting

THE MYSORE PAPER MILLS, LIMITED. BANGALORE 9.

Speech delivered by Shri T. Shamanna, M.A., I.A.S., Chairman and Managing Director, The Mysore Paper Mills Ltd., at the Twenty-first Ordinary General Meeting of the Company held at Bangalore on Thursday September 20, 1956.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Twenty-first Ordinary General Meeting of the Shareholders of the Company and in presenting for your consideration, the report of the Directors and the Audited Balance Sheet for the year ended March 31, 1956. These have been circulated already and with your permission, I shall take them as read and proceed to review the salient features of the year's operations.

I assumed charge of the Office of the Chairman and Managing Director last March in succession to Sri K. Narayanaswamy, Director of Industries and Commerce. Your Directors have placed on record their high appreciation of the valuable services rendered by him to the Company during the period he held the Office of the Chairman and Managing Director and I am glad that his valuable assistance and advice are available to the Company as he continues to be a Government Director on your Board.

You were told at the last Meeting that the expansion of Pulp Plant for the production of pulp from indigenous raw materials was incomplete and that the equipment ordered for further developing the production of pulp and reducing its cost had been received and that erection work was progressing according to schedule. I am happy to be able to report that the pace of progress in the implementation of the Expansion Scheme was well maintained and additional equipment for stepping up pulp production has been installed and taken to up pulp production and this has largely contributed to the increase service and this has largely contributed to the increase in paper production by about 25 per cent. As against machine production of 5,000 tons in 1954-55, the machine production in 1955-56 has been 6,500 tons. The increased production of Pulp from indigenous raw materials has also resulted in reduction in the use of the expansive wood pulp.

It has been our endeavour to successfully substitute the use of wood pulp by our pulp obtained from indigenous raw materials and limit the use of wood pulp primarily to impart to papers like Bonds, Ledgers and Posters, the special physical characteristic required of them. I am indeed happy to say that we have achieved this to a very great extent in as much as corresponding to the progressive increase from year to year in the production of bamboo pulp, the consumption of wood pulp to feed one machine which in 1948-49 was 1,800 tons was reduced to 700 tons in 1955-56 even after the addition of the second Paper Machine.

Further, it is stated in the Directors' Report under review that auxiliary equipment which would secure greater efficiency and economy was under erection and the work was nearing completion. I am glad to say that this work has been completed a fortnight ago and the equipments such as the Vacuum Filters which help recovery of Caustic Soda, have been taken to service. The Electrolyser and the Soda Recovery Plant are working satisfactorily and have been contributing to the reduction in costs. It is hoped that with the installations and taking to service of the various

machinery to step up production of pulp and reduce manufacturing costs, the operations of the current year would be bright and promising.

I must here refer to the great difficulties in the matter of transport both for movement of raw materials to the Mills and of finished paper from the Mills to the consuming Centres. This year also, arrangements had to be made frequently at Bangalore for transshipment of goods at Bangalore for want of through booking to Bhadravati from Madras and Mettur for movement of Caustic Soda and Chlorine. In regard to coal, during the early part of the year, transport difficulties had threatened to impede the even flow of production, as the coal supplies had dwindled. Thanks to the helpful co-operation of the Railway authorities, the difficulties were tided over.

There was further difficulty in that the demand for paper was not as strong as one could wish. In order to market the products, the selling prices of certain varieties of paper had to be reduced and other terms adjusted to suit the market conditions. The emergence of competitive conditions in the market compels us to resort to better advertisements, sales promotion, Customer's service and display technique, to increase sales and I take this opportunity to assure you that the market trends are being carefully watched and our sales policy adjusted to suit the changing conditions.

It has been a source of gratification to the Board of Directors, as it will no doubt be to you, that the financial results as disclosed by the Balance Sheet and the Profit and Loss Account are very satisfactory and register a further improvement and maintain the upward trend. During the year, we have provided Rs. 10,83,586 under depreciation and have paid by way of interest Rs. 2,94,429.8 as against Rs. 8,98,372 and Rs. 2,90,153.4 respectively during the previous year. In spite of the above-mentioned larger provision, the net profit for the year stands at Rs. 4,61,729.8-8, being Rs. 87,971-14-9 higher than in the previous year. This, I have no doubt you will agree, has justified the hope held out last year that with the increased output and consumption of larger quantities of indigenous pulp, better results would be forthcoming in the coming years.

Your Directors have added Rs. 2 lakhs out of net profits to the Industrial Finance Corporation of India, Loan Redemption Fund created last year. The Board, have given very careful consideration to the question of declaration of dividend and though very prudent finance required maintenance of dividend at 7½ per cent as in the two previous years, in response to the wishes of the shareholders expressed at the previous meetings, they have recommended declaration of a dividend of 6½ per cent plus bonus 3½ per cent absorbing Rs. 2,56,000 and have obtained approval of the Industrial Finance Corporation of India to recommend payment of a dividend of 10 per cent. I should also like to point out here that a sum of Rs. 50,000 has been provided in the accounts towards 'Gratuity' to meet part of our liability towards payment of Retirement Gratuity.

to our employees in accordance with the Industrial Award.

In accordance with the provisions of the Employees Provident Fund Act, the funds of the Provident Fund have been separated from the Company's funds and have been transferred to the Provident Fund, which is managed by a Board of Trustees as required by Law.

Your Directors have accorded sanction to the payment of bonus of three months basic wages or salaries to the employees. A general good record of labour relationship has been maintained, though demands for additional amenities and benefits are being placed from time to time and due consideration is being given consistent with the resources of the Company.

As you are well aware, the Indian Companies Act 1956 came into force from 1-4-1956 and certain Articles of our Articles of Association require to be amended to be in conformity with the Law and a Comprehensive Resolution embodying all the changes will be placed before you for approval in due course.

Before I conclude, I wish to say a few words regarding the future development of our Mills. The Panel on Paper and Board appointed by the Government of India in 1945 to go into the question of Post-war development of Paper Industry laid down that a 8,000 ton plant was the economic minimum and a unit falling below this minimum should be suitably expanded. Our Scheme of expansion to step up production from 4,000 tons to 8,000 tons has been implemented and we hope to reach the target production during the current year. Several of the existing units are increasing their production capacity and new Mills are coming up. It is now considered that efficient operation under present day conditions requires relatively large scale production and opinion is expressed that for a unit to be efficient and economic the optimum figure should not be less than 16,000 tons. I do not propose to go into the question as to what constitutes an economic unit, but I think large scale production in the long run would prove beneficial. In view of the heavy expenditure on educational and economic development programmes under the second Five-Year Plan the overall demand for paper that would be created in the coming years would be distinctly favourable to domestic Paper Industry. Hence the desirability and necessity to increase the rated capacity from 8,000 tons to 16,000 tons should be considered and a comprehensive scheme with financial implications and prospect should be drawn up and it would be for you to extend your co-operation in finding the necessary funds, if and when the scheme is formulated.

Your Directors warmly appreciate the loyal and willing co-operation received from all the employees of the Company.

On behalf of the Board of Directors, I wish gratefully to acknowledge the continued assistance and encouragement received from the Government of Mysore and the Government of India and also to express our thanks to the Industrial Finance Corporation of India, for having acceded to our request to the declaration of 10 per cent dividend.

I also wish to express my grateful thanks to my colleagues on the Board for the uniform courtesy and co-operation that they have extended to me and their valuable advice.

Gentlemen, with these observations, I now beg to move that:

"The Directors Report, the Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 1956 — be Approved and Adopted".

Note: This is not a report of the proceedings at the above Annual Meeting, of which proceedings a separate report will be circulated.

HASTINGS MILL LIMITED

NOTICE

The Annual Ordinary General Meeting of the Company will be held at the Registered Office, at 14, Netaji Subhas Road, Calcutta, on Monday, October 29, 1956, at 3-30 P.M. for the following purposes:—

- (1) To receive and consider the Report of the Directors and to pass the audited accounts of the Company for the year ended March 31, 1956.
- (2) To declare dividends.
- (3) To elect Directors.
- (4) To appoint Auditors for the current year.
- (5) As special business, to consider and if thought fit, to pass with or without modifications, the following resolution which will be proposed as ordinary resolution.

"RESOLVED that consent of the Company be and is hereby given to the Board of Directors to contribute and/or subscribe from time to time to any national, political, charitable, benevolent, public or general and other funds not directly relating to the business of the Company or the welfare of its employees, such amounts as may be considered proper by it notwithstanding that such amounts in any financial year may exceed Rs. 25,000 — or 5 per cent of the Company's average net profits, as determined in accordance with the provisions of the Companies Act, 1956, during the three financial years immediately preceeding, whichever is greater".

- (6) To transact any other ordinary business of the Company.

The Share Transfer Books of the Company will remain closed from October 16, 1956, to October 29, 1956, both days inclusive.

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

CALCUTTA,
September 24, 1956.

N.B.: (i) A Member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

(ii) EXPLANATORY STATEMENT IN REGARD TO SPECIAL BUSINESS TO BE TRANSACTED AT THE MEETING.

The Board of Directors have to give contributions from time to time to various institutions including charitable and other funds not directly related to the business of the Company or to the welfare of its employees and which is at times in excess of the limits as laid down in Section 293(i)(e) of the Companies Act, 1956. A resolution has, therefore, been proposed to authorise the Directors to contribute to such funds in excess of the above limits.

General Meeting

INDUSTRIAL FINANCE CORPORATION

Speech delivered by Shri K. R. K. Menon, Chairman of the Corporation, at the Eighth Annual General Meeting.

Gentlemen,

I have pleasure in placing before you the Accounts of the Corporation and the Report of the Board of Directors for the year ended the 30th June, 1956. Printed copies of the Accounts and the Report are before you. These have also been circulated to all the shareholders. I shall, if you agree, take them as read. I would, however, make some observations on a few points.

2. The working of the Corporation for the year ended the 30th June, 1956 has resulted in a profit of Rs. 32.68 lakhs which shows an increase of Rs. 8 lakhs over that of the previous year. After setting aside a sum of 10.18 lakhs as provision for taxation we are left with a net profit of Rs. 22.50 lakhs. The whole of this amount, however, has had to be transferred to the reserve for Bad and Doubtful Debts in view of the anticipated loss in the account of the Sodepore Glass Works Ltd., to which I made a reference in my speech last year. We have, therefore, had to call upon the Central Government this year also to pay us a subvention to enable us to pay the entire guaranteed dividend amounting to Rs. 11,25,000. We hope that with the further provision that we shall make from the current year's profit towards bad and doubtful debts, there will be no need to set apart any amount in the succeeding years on this account. As we shall make a substantial saving in our tax liability on our current year's income, depending on the size of the amount that we are obliged to write off in the account of the Sodepore Glass Works Ltd., we anticipate that we will have sufficient balance left out of our profits this year to meet the guaranteed dividend to our shareholders without having recourse to a subvention from Government. You will observe that I take quite an 'optimistic view' of the future. I do so, relying particularly on two major factors, namely, 'first' the increasing measure of appreciation on the part of the industrialists of the country, and also of co-operative Societies engaged in industrial enterprises, of the ability of the Corporation to meet their needs in the matter of long-term loans, and 'second', the marked increase in the volume of industrial investment that is likely to materialise during the period covered by the second Five-Year Plan.

3. Evidence of the first named factor will be found in the figures relating to our activities furnished to you in the Annual Report which is in your hands. It will be noticed that the amount of 'loans applied for' in the year which has closed reached the record figure of Rs. 27 crores 70 lakhs as compared with Rs. 11 crores of Rs. 27 crores 70 lakhs as compared with Rs. 11 crores of Rs. 27 lakhs for 1954-55 and Rs. 9 crores for 1953-54. The average for all the previous 7 years put together is Rs. 8 crores 62 lakhs. I venture to think that this is a fair indication of the increasing amount of confidence that the industrial public is now placing in our institution. The deal effectively with this 'enormous increase' in the demands made on us, and at such short notice, has been no easy task, and the measure of the modest success we have achieved in this direction is indicated by the fact that the total amount of loans sanctioned by us during the year under review was Rs. 15 crores and 13 lakhs as against Rs. 7 crores 34 lakhs in 1954-55 and Rs. 5 crores 27 lakhs in 1953-54. The yearly average for all the previous seven years put together was only

a little over Rs. 4 crores. I see no reason why this very satisfactory record for 1955-56 should not be maintained in the succeeding years if our administrative machinery is geared adequately to cope with the industrial and commercial sector of the public continue to be as close and cordial as they have been during the past year.

4. In connection with this last named factor of public relations it is my very pleasant duty to take this opportunity to acknowledge the assistance that we have received during the year under review from the various Chambers of Commerce and Industry whose representatives were good enough to meet me and my colleagues on the Board of Directors on several occasions for free and frank discussion of various problems of mutual interest. These discussions greatly facilitated our work during the year, and have helped in particular to focus our attention on ways and means of simplifying our procedure to the advantage of our clients as well as ourselves. I feel sure that the steps we have already taken in pursuance of these discussions would bear fruit in the near future in the shape of better business for us and more cordial relations with our clients.

5. I will refer to just one or two of the more important measures that we have adopted in connection with the drive that we embarked upon in the year under review for quickening the pace of work and effecting other general improvements. A measure of great significance was the institution of a separate legal branch of our own, manned by full-time officers under the control of the Corporation, in our head office as well as in two of our branch offices. This measure, which has been introduced as an experiment for the present, will be extended to all our branch offices after we satisfy ourselves that there are no snags to it. It is designed to quicken the pace of work at various stages in connection with the examination of title deeds and the execution and registration of mortgage documents. This will also cut down to a very considerable extent the legal charges now incurred by us and passed on to borrowers. Many of our clients have expressed great satisfaction at this long over-due reform in our administrative set-up. We have also succeeded in considerably simplifying, and standardising to as great an extent as possible, the terms and conditions incorporated in our mortgage deeds. The previous practice of our sending for our clients' representatives all the way to the Head Office in Delhi to discuss and finalise the terms and conditions of loans was given up, and branch Managers were delegated authority to deal with our clients on the spot on our behalf. We have also liberalised to an appreciable extent the conditions under which interim loans are granted, particularly in cases where, pending the finalisation of the legal formalities concerned with the execution and registration of the formal mortgage deeds, machinery etc. ordered by our clients has to be paid for or documents relating to which have to be retired.

6. Before I leave the administrative and organisational aspects of our work I should like to mention one or two salient facts in regard to the audit that has been done of our accounts. We have now four different auditors carrying out audit throughout the year, and I shall refer briefly to each of them. Firstly, there

is our own internal audit, the machinery for which has, in the course of the year, been put on a satisfactory working basis. This has been found to be of very great value to us. Secondly, there is the audit done by a firm of Chartered Accountants who are elected by the shareholders. Thirdly, another firm of Chartered Accountants appointed by the Central Government in consultation with the Comptroller and Auditor General also conducts an audit. No serious irregularity has been brought to notice by either of these firms of Chartered Accountants. Certain relatively minor matters to which our attention was drawn by them have been looked into and set right. Fourthly, there is the audit carried out by the Director of Commercial Audit under the auspices of the Comptroller and Auditor General. In the course of the year under review the Director of Commercial Audit conducted his audit in two instalments, the first one extending from the last week of September 1955 to the first week of February 1956, covering our official year ending 30th June, 1955, and the second extending from the first week of June 1956 to the first week of August 1956, covering the first half of the year 1955-56. In the audit of the accounts for the first period a large number of formal objections were raised by the audit party and, after we had commented upon them, only a few of these objections are now understood to be in the process of finalisation. We are hopeful that a few more of these items also will be withdrawn or modified as a result of further discussions. The audit of the second period is still in the process of completion.

7. There is no doubt that in the existing set-up we have a multiplicity of audit, somewhat in excess of real requirements. One might also be tempted to take the view that if the bulk of the items of original audit objections was withdrawn there must have been created quite an appreciable quantity of work at all levels most of which would have been eventually proved to be infructuous. These and other related matters have engaged our close attention and we have brought these to the notice of Government.

8. I now turn to the second important factor, which I would describe as the external factor—as distinct from the internal factors about which I have been speaking to you till now—which, in my opinion, should give us ground for hope of an even greater volume of business for the Corporation in the future. This factor is centred round the spurt in industrial investment in the private sector that it is anticipated will materialise during the second Five-Year Plan period.

9. The Planning Commission in their report on the second Five-Year Plan have given detailed figures of some of the overall targets of industrial investment in both the public and the private sectors which, they state, will show that the second Plan period will be one of "intensive and many sided industrial effort." During the first Five-Year Plan period there was a short-fall of investment in the private sector in certain industries, though, in the aggregate, the investment target of Rs. 230 crores for expansion programmes was bettered in actual performance to Rs. 340 crores. The lag in private investments occurred, according to the Planning Commission, in industries which required heavy capital investment and offered a relatively small profit margin. It is this kind of industry which might not be able to attract adequate equity capital from the investing public that would claim our special attention during the coming years, with due reference of course to the industrial priorities drawn up by the Planning Commission in their report. The general scheme of priorities in the private sector as envisaged by them places Iron and Steel first, then heavy and medium engineering industries, including structural

fabrication, automobiles, railway rolling stock, castings and forgings, industrial machinery, bicycles, sewing machines, motors and transformers etc., followed by fertilisers, chemicals, cement, refractories, jute and cotton textiles, sugar, paper and a wide range of consumer-goods industries. The programme of over-all development envisaged in the private sector during the 2nd Plan period is estimated to involve an outlay of Rs. 720 crores, comprising Rs. 570 crores of new investments and Rs. 150 crores on replacements and modernisation. Of this total estimate of Rs. 720 crores a provision has been made by the Planning Commission for Rs. 55 crores for the activities of the National Industrial Development Corporation and Rs. 15 crores for us, leaving a balance of Rs. 650 crores to be raised from other sources. While our figure of Rs. 15 crores is near enough to the average of our disbursements during the past seven years, our achievement during the past one year leads me to think that we should be able not only to reach this target quite easily but to improve on it to an appreciable extent in the next five years. We, therefore, propose to address Government on the subject of the feasibility of increasing this figure.

10. In spite, however, of the fact that the figures relating to the industrial development in the private sector during the second Five-Year Plan that I have given you do augur well for an institution like ours which may well be described as a hand-maiden of the private sector, I think it is just as well that I invite your attention also to one or two factors which we shall have to take into account in assessing our ability to rise to our full stature in the coming years. Firstly, we must take note of the fact that we have other institutions like the Industrial Credit and Investment Corporation of India and the National Industrial Development Corporation whose fields of activity converge on ours, and indeed, overlap with ours to some extent. Secondly, it is important to bear in mind the fact that both these institutions have a greater measure of freedom in the matter of financial operations than we have, and they enjoy certain special facilities which we do not share. Thirdly, though the Central Government have so far implemented the policy of utilising the Corporation as the main channel for processing their own industrial loans, and we may hope with confidence that this policy will continue to be followed, we cannot be sure that the State Governments have been, or will be, equally helpful to us in this matter. I mention this as we have been given to understand that certain State Governments have sanctioned loans directly to certain industrial concerns, and, according to a statement contained in the Annual Report of one of the State Financial Corporations, the State Government concerned have been "offering loans at rates of interest which are only about half of those charged by us and on the basis of security which are also very much easier than those observed by the Corporation." You will agree this is a matter of vital importance to both ourselves and the State Financial Corporations.

11. The fourth, and, in a sense, the most important factor which is likely to come in the way of expanding our activities to the fullest extent otherwise possible, is the fact that, if we succeed in inviting business at the present rate and dealing with applications for loans at the pace that we have achieved last year, our own monetary resources will soon be tapering off, thereby accelerating the advent of the day when we shall perhaps be forced to borrow under conditions which might leave us little or no margin of profit after meeting our tax obligations and our working expenses. This matter is engaging our serious attention already, and we hope that we should be able to find a satisfactory solution in collaboration with the Central Government who have been apprised of the matter. It will take some time before a final decision is taken; I mention it now merely

to reinforce my point that if the outlook is on the whole bright and we could be quite optimistic regarding the future, it behoves us also to take note of other factors which we shall have to take into account.

12. In my speech last year I said that we had been obliged to take over possession of the assets of certain concerns who had defaulted in their obligations to us. The position in this regard is explained in our Annual Report. You will have observed that there has been considerable progress in this matter. I am glad to inform you that one of these factories, which we sold, and another which we leased, have both now gone into production. It is gratifying that these concerns which had virtually closed down business for considerable periods have been set on their feet again and brought into full production, thanks to the intervention of this Corporation. We are taking appropriate steps with the same objective in regard to the other concerns also, and we hope it will be possible to achieve our objective consistent with the safety of the funds invested by the Corporation.

13. You will no doubt also recollect that the Board of Directors had decided to sell the factory of the Sodepore Glass Works Ltd., another of our defaulting concerns, to the Asahi Glass Company Ltd. of Tokyo and that the vendee concern were to form an Indian company to take over the assets and work the plant. This Indian company has now been formed, and necessary action in regard to the execution of the sale and mortgage deeds is well under way. Steps have also been taken by the company to make necessary arrangements for bringing the factory into production as early as possible. We expect that this factory will start working before long.

14. Another noteworthy feature of our activities in the year under review was that we sanctioned loans to Co-operative Societies of a total amount of Rs. 5 crores 50 lakhs. I should like to mention in this connection that apart from the impetus that this has given to the Co-operative movement as such the fact that as a condition precedent to our loans, the members of these Societies, drawn mostly from the lower income groups, have been made to subscribe towards the industrial schemes financed by us, a total sum by way of share capital of the order of Rs. 2 crores 20 lakhs, has contributed appreciably towards helping Government's efforts at promoting savings and drawing them off for investment purposes.

15. A large majority of the concerns to whom we have lent money did quite well during the year under review, and, in the case of a number of concerns, we saw no reason to withhold the permission asked for to declare dividend in excess of the normal maximum of 6 per cent. This very satisfactory position in regard to production and profits is reflected in the figures relating to progress of repayments furnished in the Annual Report.

16. You will have noticed from the industry-wise figures given in the Annual Report that our loans to the sugar industry aggregated Rs. 11 crores 58 lakhs at the end of the year under review. We have been advised by the Central Government that we should continue to finance Sugar Co-operative factories on the scale that we have been doing hitherto, and that as regards loans to sugar factories other than Co-operative Sugar Factories our policy in regard to their financing should not be unduly restrictive in view of the recent enhancement by the Government of the target of production for the industry.

17. We dealt with the large majority of loan applications in consultation with our Advisory Committees of which we have had four working in the course of the year viz. those for the Textile, Engineering, Chemical and Sugar industries. These Advisory Committees are now in the process of being reconstituted so as to include a larger number of technical experts in each, and also so as to provide for a wider territorial representation.

18. The figures given in Appendix E to the Annual Report showing the State-wise distribution of the loans sanctioned by us in the year under review as well as in the previous years will show that as compared with the position as it obtained on June 30, 1955, there has been a marked increase at the close of our financial year in June 1956, in the loans sanctioned to concerns located in certain States. Excluding those States which, relatively speaking, may be described as industrially advanced, the figures relating to the progress in some of the other States are, I think, worth inviting your special attention to. These are:—

(i) Andhra	—	Increase from Rs. 4 lacs up to the end of 1955	to Rs. 1 crore 29 lacs at the end of 1956.
(ii) Assam	—	from nil up to end of 1955	to Rs. 45 lacs at the end of 1956.
(iii) Punjab	—	from Rs. 1 crore 10 lacs up to end of 1955	to Rs. 2 crores at the end of 1956.
(iv) Travancore-Cochin	—	from Rs. 1 crore 12 lacs up to end of 1955	to Rs. 3 crores 18 lacs at the end of 1956.
and			
(v) Uttar Pradesh	—	from Rs. 1 crore 30 lacs up to end of 1955	to Rs. 2 crores 95 lacs at the end of 1956.

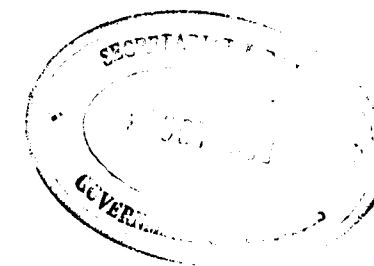
Efforts are being made to effect substantial increases of this kind also in other States similarly situated.

19. The ministerial and officer staff of the Corporation was augmented to some extent to make good deficiencies which had existed since long. On the procedural side, certain measures were adopted which have resulted in the cutting down of delays in the day-to-day work of the Corporation to an appreciable extent. This matter continues to engage the personal attention of myself and my General Manager, and we are hopeful of effecting further improvements as soon as the additional staff to be newly recruited are in position.

20. Before resuming my seat, I should like to convey my sincere thanks to my colleagues on the Board of Directors and on the various Advisory Committees for their co-operation and guidance in all our deliberations. I should also like to convey on behalf of the Board and on my own behalf our thanks to the General Manager and the entire staff of the Corporation, both here and in the branches, for their very loyal and devoted work throughout the year in spite of the exceptionally severe strain that had been placed on them as a result of the marked expansion of the activities of the Corporation in the year under review.

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The Bank and the Plan

THE halcyon days have ended. There has been for many months too ready a tendency to assume that foreign opinion would be as appreciative of the rightness of our economic philosophy and the order of magnitude of the Plan as we are ourselves. The letter of the President, Mr. Eugene Black, of the World Bank to the Finance Minister, which has been released this week (after its first unauthorised escape in a London paper), does not on its face bear an unfriendly and unsympathetic look. But it has been read in India, and perhaps rightly, as being critical of certain policies of the Government of India. What is disappointing is not the volume of critical opinion that the letter or the World Bank Report

contains. Read together as one piece, the volume of praise is far greater than the volume of doubt. But the letter does carry a rebuke in the suggestion that India does not qualify for any "overall" loan at the present time, each project being now subject to its own scrutiny and with the proviso that our applications will be reviewed every year. In this limited sense the Report may be said to be adverse, because a blanket allocation which we hope might be even as high as Rs. 250 crores over the period of the Plan is now conspicuous by its absence.

There are two hard facts—one on each side—which will need to be appreciated. From our point of view, determined rightly to proceed with

the Plan without reduction, we must recognise that the Bank cannot be ignored. It is, therefore, quite foolish to raise now an injured countenance and denounce both the Bank's approach and all its works. Any comparison with Aswan is grotesque. Most of the things the Bank has said have been said by patriotic Indians again. It is a fact that the public sector has taken on too great a task for completion in the next five years. It is a fact that the transport allocation is inadequate. It is a fact that the foreign exchange gap has not been imaginatively handled, either on the public or private capital fronts. The Bank is not wrong to point all this out. It is, however, wrong to draw prematurely the conclusion that the Plan is "too ambitious". It is wrong to suggest by implication reduction. It should point out failures without suggesting we are incapable of surmounting them without a fundamental change of philosophy. For, by and large, a fundamental change of philosophy is impossible.

While the World Bank is entitled on the basis of its assessment of India's limited capital resources to describe our Plan as "too ambitious", it cannot evade the point that there are political pressures on the Government of India which make it impossible for it to plan on less spacious a scale. Quite apart from the radical feeling in the country desiring, for a multitude of reasons, an extension of the public sector, there is the problem of unemployment on which the private sector has made an inadequate impact in the last five years. It certainly is true, as the Bank proclaims, that the opportunities for the private sector in India could be more generous than they are at the present time, but there is no indication that the private sector has the resources in the short period to provide anything like the volume of employment which the Government of India and the country at large consider necessary to allay serious discontent in strategic areas of the country. It might also be argued that the Bank's assessment does less than justice to the economic performance of the last five years. It is inconceivable that, when a rate of between 3 and 4 per cent has been maintained over the last three years, a democratic Government in competition in an ideological sense with the People's Republic of China, could choose some lower figure than 5 per cent a year. And with twice the investment a rate of rise of two per cent more is certainly not "too ambitious". All it means is that both the World Bank and we must launch a great campaign in partnership to obtain our short period foreign exchange requirements.

Much of the prejudice produced abroad against our economic policies derives from the unwisdom of some of our utterances and the failure to recognise abroad that, with one eye on the hustings, words can be good political fuel. The fact that this week the Finance Minister has chosen to hold out State trading on cloth as a solvent of India's textile problem shows that the verbal faith that Government places in public, in place of private, administration can be greatly overdone. In the case of cloth, for example, how can distribution by the State overcome a fundamental shortage of production, which, as the Finance Minister has frequently stressed, in the past, is almost the entire source of the present trouble? The fact that the same Minister has shown extreme resilience in practice, that he was one of the architects of decontrol in 1952, and has now shown imaginative readiness, to adjust the recent excise on cloth to encourage production, has been inadequately recognised. In the result it would seem

that we sometimes get the worst of both worlds abroad. The administrative skill by which radical theory is softened into effective pragmatic practice is missed. One of the great strengths of the Indian economy has risen from this fact; that the Indian administration's socialist bark is always louder than its bite. In the second Plan, the bite looks deep, but, of course, as the World Bank should know, appearances are deceptive. India is pragmatically sound in the second Plan, not less than in the First.

That the Government of India is more conscious of its political, than its economic, pressures is true. But it is not less true that the World Bank does not appreciate at all the political compulsions of the Indian revolution. Something like a "socialistic" approach in philosophy is essential to produce the requisite base, both for patience and political support, without which democratic Governments in the Indian Union will find it difficult to survive. The Government of India goes too far in its political slant; excessive public sector loads, which cannot be achieved, are not desired, nor will they deceive the Indian people. But the World Bank must see that its counsel for a large retreat is politically impossible.

All this does not matter to the heart of the problem, which is that India should get adequate loans as well as advice from the World Bank. There is no impassable gulf between the Indian and the Bank view. If the Bank does not adjust its view, it will lend nothing to the East, for there is no country which is a better risk than the Indian Union. And the Bank would stultify its own charter and question its own survival. It must take the facts of political life as it finds them. Equally, we will need to make adjustments to the facts of economic life, if we really want the resources, domestic or foreign, that we desperately need for the Plan. It was pointed out in *The Eastern Economist* last week that we have no plan for capital formation. Holding the price-line is merely one step in the right direction; indeed to the extent it increases consumption, it is a step which is in part a hindrance. When is the Government going to make it worth while for the Indian people to save 30 per cent of the increments of income? We need to remind ourselves that for inflation to be avoided something like this rate of saving will be required; indeed it is an imperative of the Plan.

There are signs that democratic persuasion will see us through. The dignified and moderate reply which the Finance Minister has sent to the President of the World Bank is the appropriate response to the Bank's report. The Bank believes our transport allocation is inadequate; surely this is central enough for the Bank to remedy the defect not by advice but by action. There are precise plans for the import of locomotives, wagons and other Railway equipment. Cannot the Bank finance these at once to the extent of, say, Rs. 200 crores over four years? This can be examined in detail; for that purpose is Mr. B. K. Nehru, to whom an appropriate tribute has been paid, now in Washington. It is in a free exchange of views that the differences in opinion between the Bank and ourselves can be resolved. Complete agreement is impossible because we work under different pressures. But at least the end can be the same: to use the world's resources in an imaginative human way to raise the dignity of all men and safeguard the democratic way of life. Both of us are on trial in this sense: we stand or fall together. And with us in the Indian Union may stand or fall the majority of human beings in this portion of the world.

The Return of Bevan?

SOMETHING akin to a miracle happened last week at Blackpool where the moderate right wing and the Bevanite left wing of the British Labour Party came nearer each other than at any time since 1951. The 55th annual conference of the Party, claimed to be the most important one since 1945, thus ended on a note of new-found unity which resulted from "the feeling among a large proportion of delegates that a General Election within the next twelve months is a strong possibility." As the election of Mr. Bevan, the left-wing leader, to the Party's treasurership was regarded not as a challenge to Mr. Gaitskell (whose position in any case was unassailable in the Parliamentary Labour Party) but as a factor contributing to unity, the Blackpool conference also ended on a note of quiet confidence that Labour would be returned to power even in an early election.

The immediate question arises whether the Conservative Government of Sir Anthony Eden would make such an early appeal to the country. There is no doubt that the British Government, with the acute Suez Canal problem on hand, has also been facing even more acute economic difficulties at home in recent months. The Chancellor who has failed to cut back Government expenditure to any significant extent has appealed to the trade unions for continued wage restraint as in the last 17 years, but the Trade Union Congress has refused to co-operate with the Government's economic policies. As if to counter this non-co-operation, the Chancellor of the Exchequer has come out with a controversial but revolutionary plan for a customs-free zone in Western Europe — a plan which, if worked, will have the effect of "pushing labour and capital out of high-cost manufacturing businesses into other fields where British productivity is higher than in other parts of Western Europe". The proclaimed need for making British industry more competitive and prosperous in a possible free trade zone is, however, not likely to be appreciated by trade unions and some business interests alike who would both be "vulnerable to the threat of keener competition inherent in the European plan". If, in the circumstances, the Suez tangle is not also resolved to Britain's satisfaction, the unity of the Conservative Party itself might be jeopardised and Sir Anthony Eden forced to appeal to the country earlier.

What is probable may not necessarily happen. In which case the question arises whether Labour's new-found unity will endure sufficiently long and keep the Gaitskell-Bevan accord going without a premature challenge to the Party's leadership by that left-wing leader who is considered by many as "a man of restless ambition". The possibility of such a challenge cannot be entirely ruled out in the context of the victories registered by Bevanites and ex-Bevanites who, for the first time, gained the support of some big trade unions affiliated to the Labour Party. For, Mr. Bevan himself interpreted the trend as a pronounced radical shift and, according to a report from Blackpool, he "did not look precisely like a prospective player of happy families". But Mr. Bevan's supreme goal is the conquest of the whole Labour movement for Bevanism which stands for an orthodox brand of Socialism with its emphasis on ever-expanding

public ownership. A frontal challenge to moderate leadership may not, after all, be necessary for Bevanism to establish itself.

But it is right now difficult to say whether Bevanism is already having a decisive influence on Labour policy or is merely being assimilated and partly rendered innocuous. Although the crucial test will come only at the next year's conference when Labour's 'public ownership' policy is scheduled to be discussed, two policy documents — 'Homes of the Future' and 'Towards Equality' — just approved at the Blackpool conference already reveal traces of Bevanism. The former document was presented to the conference by Mr. A. Greenwood, a left-wing sympathiser of Mr. Bevan and amended by Mr. Bevan himself through a resolution. This housing statement promised that the next Labour Government would build 2 million new houses, transfer 6 million rent-controlled house properties to local authorities and assist home-ownership in various ways. Municipal ownership of rent-controlled housing would take effect simultaneously in all areas. But some solitary critics at the conference were of the view that the plan could not be satisfactorily carried out without nationalising the entire building industry. If public ownership of 6 million houses should pave the way for a further dose of nationalisation in this sector, Bevanites and Bevanism will have secured a signal triumph.

The second policy statement — the one on Equality — did not, of course, directly reveal traces of Bevanism, but the Left wing accepted it because it promised a new attack on capital. Although the Right wing intended it as an alternative to a policy of greater and ever greater nationalisation, it was presented to the conference by Mr. Harold Wilson, a Bevanite now closely associated with Mr. Gaitskell. The document proposed a capital gains tax and an attack on 'the new system of fiscal privilege based on tax avoidance' and also contemplated a drive for greater equality of opportunity, status, income, wealth and economic power. In sponsoring the statement Mr. Wilson said that "the miner or the engineer is of more value to the community than the company promoter or the stockbroker". Mr. Wilson was also of the view that public ownership had a great contribution to make in reducing inequality. As if to counter the effect of this last statement of Mr. Wilson's, Mr. Gaitskell hastened to assure that neither capital gains as such nor the stock exchange would be done away with. What was contemplated was only a tax on untaxed capital gains, and what was wanted was only an adjustment of rewards to effort so as to facilitate a united effort for higher productivity which was needed to raise living standards. Although Mr. Gaitskell somehow managed to rally his divided party behind him on the issue of equality, there was no doubt he had compromised to some degree with Bevanism. If Bevanites and ex-Bevanites continue to collaborate with him for another year both inside and outside the Parliament and if Mr. Bevan himself becomes in due course the deputy leader of the Party in the House of Commons, it may be that Mr. Gaitskell will find it still harder at the annual conference next year to resist further Bevanist influence over the Labour movement on the crucial issue of public ownership.

Trade without Tariffs

THE Macmillan Plan which seeks to induce participation of the Commonwealth countries in the projected European free trade area need not be looked upon as introducing any entirely new or radical element into European economic co-operation. Britain's membership of the EPU has indirectly brought the entire sterling area, virtually co-extensive with the Commonwealth, within its ambit. Her position in intra-European trade as well as in the trade of the Commonwealth has made the latter's association with the larger movement of economic co-operation a matter of considerable value and even the share of Western Europe in the external trade of the rest of the Commonwealth countries lends strength to this association. As banker of the sterling area, Britain has to take account of possible repercussions of her trade policies on the sterling area. The free trade scheme which holds potentialities of improving the exchange reserves of the whole of Western Europe including Britain and of accelerating convertibility is entitled merely on this account to sympathetic consideration. First reactions of the Commonwealth countries, immediately after the Washington conference, therefore, tended to take this view.

The free trade area scheme is still in a fluid state, but it seems to be working towards a concrete shape. This is implicit in the transformation of the original proposal of the Messina Group for a common market for Europe into the present plan. A common European market might have been inadequate to counter the increasing penetration of the two existing continental trade areas — the American and Soviet zones. The ever-increasing influence of the former is universally recognised, but the spectacular success achieved by the Russian zone in its trade offensive in the last two years is hardly appreciated. This expansion is mainly attributable to the intensification of trade with Western Europe whose imports from the Soviet area went up by over 33 per cent with a wide disparity in the increase of exports which were higher by only 20 per cent. The pattern of this expansion discloses the growing strength of the Soviet area in manufactured goods and presents a challenge of immediate importance.

It is in the field of industrial products and not of agricultural goods that the strength of the European free trade zone needs to be built. The vulnerable position of agriculture in the national economies of some countries and the special protection which the farmer must continue to receive for a considerable time to come have been recognised and there is unanimity that agriculture must be excluded from the scheme. Nevertheless, any hopes of watering down the scheme further on a mentionable scale would prove fruitless inasmuch as one objective on which the sponsors appear firm is to prevent it from degenerating into an ineffective mechanism through successive reservations and escape clauses. The genesis of trade liberalisation within the OEEC admits of little doubt on this score. Import restrictions have per force to go, but the attempt to remove them as a preliminary measure met with the genuine grievance of low tariff countries against the shelter which higher customs barriers offered to the rest of the fraternity. Broadly, the Scandinavian and Benelux groups together with Switzerland constitute the low tariff areas, Western

Germany represents the medium level, while Britain, France, Italy and Austria form the high tariff regions, the last one coming on top of all.

To iron out their wide differentials in the transitional period to total abolition of tariffs is a technical problem that is posed before the Working Party of the OEEC which has to tender its report to the Council of Ministers early in January next. There is little dogmatism about a rigid period of twelve years for complete tariff abolition and fifteen years seems a certainty at the present moment. Any further flexibility in this respect must be a matter of necessary adjustment, but it seems marginal. The broad outline of the schedule of tariff abolition, which will finally emerge in the next few months admits of small variations. Initial reduction of 10 per cent is contemplated one year after the free trade area is brought into being, to be followed by five successive reductions of 10 per cent at the interval of one and a half year each, leaving the balance of 40 per cent to be removed in the residuary period.

Mr. Thornycroft's outspoken statement at the press conference of October 3 makes it clear that scope for exemptions will be of the "tiniest" and his warning to Britain's key industries, now enjoying exceptionally high tariffs, to face up to the challenge must be interpreted in the context of the resolute policy that the free zone is expected to adopt. Britain's participation in the free trade fraternity seems a foregone conclusion. With intimate economic bonds uniting her with Western Europe and a stake of over 25 per cent of her external trade with it, staying aloof from this revolutionary move is fraught with consequences of serious magnitude to her. For intra-European trade, she will have to cross high barriers and in trade with other regions she will be confronted with fierce competition from a continental zone deriving potential benefits from specialised production. In extra zonal trade, members will have the choice reserved to retain their own tariffs, uniformity having little chance of acceptance.

Should India join the free zone or stay out? The dominant feature of the scheme is complete customs-free access to the industrial market inside the zone. It constitutes the very core of the free-trade plan. In course of time it cannot fail to lead to zonal rationalisation involving movement of capital for specialised production. India's nascent industrial economy, leaning substantially on protective tariffs, can hardly withstand the onslaughts of intra-zonal competition which is bound to take an intensified form. The sacrifice involved in the pursuit of free trade will be incalculable in her case and it is a sacrifice that threatens her new industries even before they receive requisite nursing in her Five-Year Plans. Staying out will entail no serious prejudice to her exports. Primary exports will be left unaffected, while manufactures will be subject to varying degrees of impact, but bone of a grave nature. These implications are examined in a Special Article in this issue. India can draw the added advantage of cheaper imports of capital goods, equipment and industrial materials from a competitive European market. The balance of advantage, therefore, would lie in the direction of 'Wait and See'.

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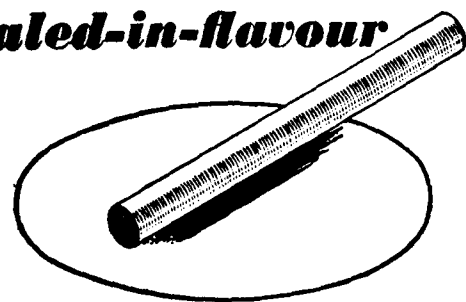
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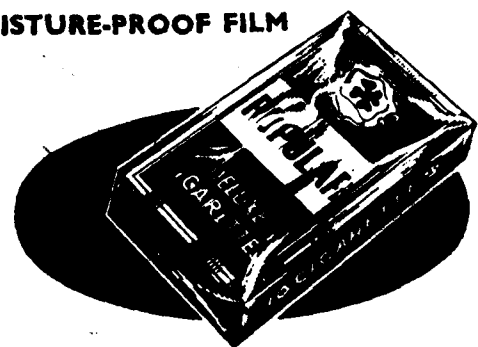
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THE WEEK'S NOTES

C.P.I. PLATFORM

THE COMMUNIST PARTY OF INDIA is yet to give finishing touches to what may rank as a 'something to everybody' or, better still, an 'everything to everybody' election platform. Of course, the intellectual giants of the Politburo can do it only after the Congress Party releases its manifesto, for an essay in competitive denagoguery would not be an easy affair where everybody swears by socialism. Com. Ajoy Ghosh, however, has chosen to treat the public to some advance items of the rich and varied fare that is being cooked. Nationalisation of banking would be the choicest item which may well put to shame the Congress Party's performance in the matter of insurance nationalisation. Tea would become a truly 'national' beverage with that industry's nationalisation. Whether 'tea' includes 'coffee' is not known, but it well may even as 'he' in legal parlance, includes 'she'. Coal, too, would go the same way, but there is no reason why 'nationalised' coal in India should cost more than its counterpart in the United Kingdom. Jute would not escape either, for that dollar earner is, perhaps, too precious to be left to the mercy of private enterprise.

The C.P.I. should be knowing that nationalisation, by itself, may not evoke enthusiasm in the voter's breast. Other items are, therefore, required to do the trick. More wages for labour, less taxes from the taxpayer and lower prices for the consumer would naturally constitute a more tempting fare. The industrial labourer would have a 25 per cent increase in his wages. As all capitalists and business men other than monopoly capitalists and financiers are to be welcomed with open arms into the Communist parlour, they would find their entry amply rewarded by being relieved of the tax burdens they carry. The consumer, for his part, would be enabled to become a real king in a buyers' market from which scarcity will have been banished. As if these were not enough, the C.P.I. would also seek "to protect civil liberties against police and bureaucratic onslaughts" and, may be, to leave the police and the bureaucracy unprotected against the libertarians' onslaughts. That may well be a clinching plank in the Communist platform.

AKALIS ENTER CONGRESS

THE SIKHS belonging to Master Tara Singh's Akali Dal in the Punjab and PEPSU States have at last decided to abjure communal politics and join the Congress 'en masse'. Although the Akali Dal organisation will continue to function, its activities will henceforth be confined to religious, social, educational and cultural fields. With the huge funds at its disposal, the Dal's activities in social and cultural fields should prove of immense help to the Sikh community. The Congress, for its part, will get an accession of strength in the two States and be in a better position to implement the regional formula successfully. This Sikh-Congress accord may well be productive of political stability in the border States in spite of the Dal's surprising reservation that it will be free to raise its voice against any infringement of the legitimate rights and liberties of the Sikhs. Maulana Azad's firm reply that the Dal cannot reserve the right to retransform itself into a political organisation and lead an agitation against the Government for the redress of any grievances, may have its intended effect, and the Dal may honour its agreement with the Congress in letter and in spirit. If it fails to do that, it would only strengthen the hands of other communal organisations in the country. If the accord comes to endure, it may well open the eyes of parties still wedded to communal politics. The Akali-Congress rapprochement has thus a deeper and larger significance.

INDO-JAPANESE COLLABORATION

THE THREE-WEEK tour of the Japanese Industrial Mission in India has just ended. Visits to various industrial centres and discussions with Government representatives as well as business men must have revealed to the members of the Mission the enormous scope for Indo-Japanese co-operation in the industrialisation of the country. The possibilities are "infinite," as the leader of the delegation, Mr. Takasugi, put it, and Japanese collaboration can take the form of joint ventures or of supply of long-term credits and technical know-how. The discussions have naturally been exploratory and concrete proposals for joint projects will take some time but it is obvious that collaboration is possible in such varied fields as manufacture of fertilisers, machine tools, electrical goods, automobile parts, ship-building, engineering industries, mining machinery and small-scale industries. Especially in the mining industry, the scope is vast as the country's present capacity to provide machinery equipment is only ten to twenty per cent of the requirement. The joint ventures should prove particularly favourable for India as the machinery and the 'know-how' may cost less than similar assistance from the countries of the West. It will not also be surprising if some of the Japanese manufacturers make a bid to gain goodwill in the Indian market by cutting down the prices of their machinery.

In their negotiations with the Government, the team is reported to have reached a fundamental agreement that India should consider Japan as a staple-market for iron ore and the leader of the delegation rightly claimed this as the 'key-point' on which the economic relations between Japan and India should be further improved. Yet another outcome of the discussions is with regard to the supply of technical 'know-how' to Indian industries. It is believed that this project could be managed by the private sector in Japan and the idea seems to be that Japanese heavy machinery manufacturers should join together and invite a large number of Indian technicians each year from India for training. The Mission also proposes to set up a special organisation in Japan to provide the necessary information to Indian businessmen in the field of small-scale and cottage industries. It is welcome news that just when the Japanese Mission has finished its tour in India, a delegation sponsored by the Government of India, under the Colombo Plan, has left for Japan to study the achievements of Japanese industry in the field of management and organisation. A two-way traffic has thus obviously begun, and this should be productive of much benefit for India as well as Japan.

CHINESE AID TO NEPAL

THE VISIT of the Nepalese Premier to Peking, closely following the agreement signed at Kathmandu between Nepal and the People's Republic of China over Tibet, has now turned out to be more than a mere courtesy affair. The economic agreement concluded at Peking by which China will provide assistance to Nepal to the tune of Rs. 6 crores in money and materials over the next three years for her Five-Year Plan, assumes particular significance. Mr. Tanka Prasad Acharya has, of course, hastened to assure that no strings have been attached to the aid and that China will not send any technical personnel to Nepal. Synchronising with the agreement a joint statement between the two Premiers was also issued affirming faith in Panch Shila and agreeing that China and Nepal would continue to develop their "traditional economic and trade relations."

on the principles of equality and mutual benefit." It may be recalled in this connection that India has already offered Rs. 10 crores as aid for Nepal's Development Plan (involving a total outlay of Rs. 33 crores). India's genuine interest in the economic development of Nepal on democratic lines needs no reiteration. Whether this interest would be a match for the likely increase in the influence of Nepal's Communists as an incidental consequence of that country's close relations with China, is anybody's guess. That Dr. K. I. Singh, their leader is now tactically wedded to a constitutional course, is an additional factor to their advantage.

UNITED FRONT AGAINST APARTHEID

A MOMENTOUS conference took place last week-end at Bloemfontein when leaders of African opinion met to give their answer in unambiguous terms to the reactionary report of the Tomlinson Commission set up by the South African Government. The report was a blue-print for a territorial apartheid and its aim was to segregate Africans by setting up separate geographical areas for their development. It was claimed that separate development of White and Black communities was essential for eliminating the possibility of racial conflict and to maintain racial harmony. The conference, which was truly representative and brought together on the same platform African leaders in varied spheres like politics, religion, education and trade unionism, could do nothing except to reject unanimously a monstrous plan based on apartheid and separate "national homes" for Africans coupled with the deprivation of rights obtaining in the rest of the country.

The President of the Conference, the Rev. Z. R. Mahabane, in a trenchant criticism of the Government's policy, summed up the present plight of the Africans. "They have been reduced", he said, "to the political impotence of a worthless people — a position of homelessness, hopelessness, helplessness, landlessness, pennilessness and powerlessness." The traditional policy of apartheid — enshrined in legislation since the Union was established in 1910 — thus stood condemned as it could no longer be endured by the non-whites. The resolution passed at the conference also exposed the specious tale contained in the Tomlinson report that in regard to civil rights, Africans were substantially no worse off than other sections of the population. The injustices perpetuated on Africans by a Parliament in which they have no representation make a formidable list. Police raids, banishment orders, dismissals for political non-conformity, convict labour, detention camps, slave markets called "labour bureaux" — these are the manifestations of a policy inflicting unbearable burdens on the Africans.

In spite of signs of widespread militancy, the speeches at the conference were restrained in their tone. While appealing for a united front against apartheid, several speakers urged the need for racial amity and co-operation with the Whites and other sections of the population. A suggestion was also made for convening a multi-racial conference to consider the future of the African in South African society. But the White response is not likely to be significant. In fact, the South African External Affairs Minister has just at this time chosen to launch an attack on India for placing a resolution on the U.N. agenda seeking discussion on apartheid. To Mr. Luow, this is "bare-faced" interference in South Africa's domestic affairs and he has given the threat that his country's subsequent action will depend on the attitude of the U.N. to this question. The doctrine of 'herren volk' dies hard but its votaries may have to pay a heavy price if they do not wake up early. It is of some significance that one of the speakers at the British Labour Party conference at Blackpool urged that if they wanted to stop Russia penetrating into Africa, "we have to stop

practising tyranny ourselves". However, neither ethics nor even expediency is likely to deflect the South African Government from its suicidal course.

CHANCELLOR'S REVIEW OF U.K. ECONOMY

THE TRADITIONAL half-year report given by the British Chancellor of the Exchequer at Mansion House gave one piece of good news to Britons. It was that the favourable balance of payments in the first half of this year was £144,000,000, very much more than the £100,00,000 he had suggested to the Commons in July. This was obtained due to the operation of a number of factors. In the first half of the year, imports were checked and payments were little below the figure for the second half of 1955 and very little above that for the first half of 1955. However, exports rose and they seem to be expanding at an annual rate of about 6 per cent in terms of volume and about 10 per cent in value. There was further an improvement in the balance of invisible transactions and the terms of trade had also been favourable. From the internal state of the economy, Mr. Macmillan thus drew a picture that was substantially corroborated by the Governor of the Bank of England who spoke after him. Mr. Cobbold said: "My own view is that after a slow start, the monetary policy has been increasingly effective since about April 1955". He went on: "The battle against inflation has been effectively joined, but it is certainly not yet won. The coming months are crucial. Determining events lie in the fields of industrial costs and public finance, but the banking system can help by holding fast to the present policies. There is no room for letting up".

Mr. Macmillan also drew attention to the Suez situation and its possible impact on British economy. "So far", he said, neither the military expenditure which we have incurred nor the degree of disturbance to shipping have had a significant effect on our economy. Nevertheless, on the outcome of this affair our life and that of all Western Europe may well depend". While giving no room for any grounds for pessimism, the Chancellor seemed to suggest that every economic judgment must naturally take into account what happens over Suez. Mr. Macmillan also envisaged great developments in the Sterling Area and pointed out that they must expect some drawing down of the great accumulated reserves which would be used to finance plans of social and industrial progress. He, however, rightly cautioned that it would put a heavy burden on the country to increase its external surplus and it would require mutual adjustment of policies so that the overall balance of the Sterling Area's trade with the rest of the world might be put upon a sound footing.

JAPAN'S POPULATION TOPS 90 MILLION

JAPAN'S POPULATION totalled 90,017,000 on July 1 to go above the 90 million mark.

The Statistics Bureau of the Prime Minister's Office making the announcement on August 17 said that the population increased by approximately 18 million since the end of the war. At that time, it was estimated at 72,100,000.

Japanese population experts predict that the population will reach 100 million by 1970, in another 14 years.

From the standpoint of population density, Japan is now third in the world with 243 persons per square kilometer.

The population density of the world in 1954 was as follows: The Netherlands—324 persons per square kilometer; Belgium—288; Japan 243; Taiwan—222; Britain—208.

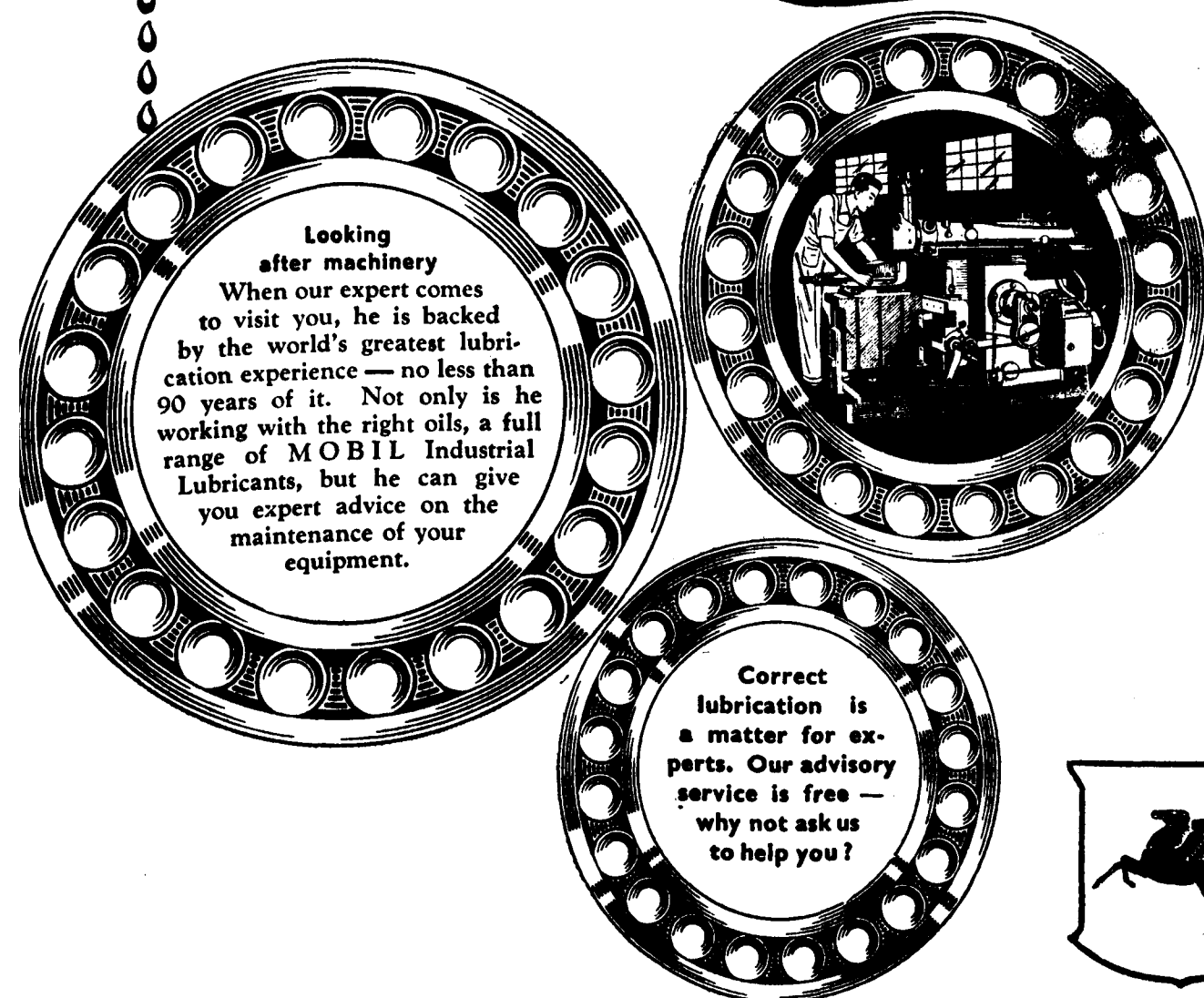
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In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people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

The book is of special value to libraries, scholars and devotees of Tulsidas.
It has been issued in the following four editions:

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

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The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

EUROPE IN CONFUSION

(From Our Special West European Correspondent)

PARIS, October 6.

THE Suez crisis, the detente with Russia and the Radford plan for US defence have all combined to reduce West Europe to a state of diplomatic confusion she has not known since the war. At the present moment many of the post-war alliances are in full dissolution, for they have been found to rest on the purest illusion, illusion which Colonel Nasser has succeeded in exposing by means of one gesture. The awakening from this trance, where supposedly solid alliances and "eternal friendships" in fact covered sordid competition and indifference, would in itself be a good thing—but it has been followed immediately by a plunge into wilder illusion still. The great delusions about "Western solidarity", the American alliance and NATO are being replaced by the even greater delusions of the Entente Cordiale and United Europe. This old continent, which is supposed to contain so much of the world's wisdom and almost all its diplomatic savoir-faire, has echoed in the past two months with more empty boasting, childish squabbling and fantasy-building than one would hope to hear outside a nursery.

Most of this has been achieved by nothing more serious than the cool insolence of an inexperienced dictator. One gnat has put a herd to flight. Of course, he could not have done this were it not true that the apparently firm edifice of West European solidarity in fact rested on rotten foundations; nor even then would the collapse have been so spectacular without the concurrence of other general tendencies toward dissolution of the post-war alliances. (To describe those general tendencies in detail would make this despatch too long, so I may be permitted to refer to two earlier articles: "The Horrors of Peace", May 25, and "The Ghost Walks", August 10). Briefly, West Europe was already moving away from the old anti-Communist alliance toward a new system in which common European interests would have to be defended as much against America as against Russia, and against all outside challengers whom Russia and America might compete to support against Europe. This "agonising reappraisal" had barely begun when Colonel Nasser demonstrated that it was already too late. At no expense to himself and with the virtual support of both Russia and the United States, he inflicted on the two leading European powers the most humiliating defeat of their recent history.

Perhaps the one point on which there is no illusion in Europe at present is that France and Britain have been resoundingly and conclusively humiliated. In Britain, where political hypocrisy is more common, the lie is being put about that this was peculiarly the Conservatives' doing, and that Labour in power would have avoided it; but anyone who remembers Mr. Gait-skill's performance at the end of July knows that the opposite is true. In France, where for once party politics have not obscured vision of the facts, everyone knows that Mollet and Pineau can be blamed, at most, for having made humiliation appear more ridiculous; no one pretends that, entangled in a system of alliances based on total illusion, France could have been saved from defeat.

Every weapon that France and Britain took up to answer Nasser's challenge turned to dust in their hands. The first of these was military force. Governments that for years past have been burdening European economies with immense armament budgets now can-

didly admit that after years of inflation, stinting and suffering for rearmament these two major powers had not the force ready to use against a half-starving dictatorship on the other side of the Mediterranean. Thousands of millions of pounds per year for almost a decade—and at the end, no guns, no troops, no planes and no ships could be got ready until a month had passed, by which time the use of force was morally and politically impossible. And remember that, whatever views we may have about the use of force in this case, it was an affair described by the British and French Governments as "a matter of life and death". That was the first illusion to go: arms budgets that produce nothing to deal with a supposed matter of life and death.

The next weapon was the alliance with the United States. This alliance has been the foundation of all West European policy for a decade, and one does not have to be a Communist to know that in order to maintain it West Europe has made some very considerable sacrifices of principle and of sovereignty. But when the first test came in which France and Britain thought their interests were more immediately at stake than America's—the alliance produced nothing. One must not be misled by repeated assurances from Washington about American support for France and Britain; the fact is public that the United States have all through been Colonel Nasser's best aid and prop. Once again, our business is not to decide whether the United States were right or wrong, but to show that from West Europe's point of view the alliance with America has turned out to be a great illusion. Revulsion against it in France is now general, and includes not only the "third-force" neutralists, but most of the Right-wing advocates of friendship with the United States. It is ironical that while President Eisenhower is complacently conducting his election campaign on the slogan of "peace and prosperity", much American credit in Britain and France has crumbled, while in Paris the end of the Western alliance is being openly proclaimed. When this rift is patched up (as it will be, for decency's sake) the fact will remain that West Europe will place no further confidence in the Atlantic system, and the search for a substitute will continue.

The third foundation of Continental (that is, excluding British) policy was the unity of Little Europe, the Europe of The Six. Faced with Nasser's challenge this produced nothing but fiasco, with the French Foreign Minister accusing Italy of having scuttled the London conference, with the German Press accusing France of trying to involve her partners in the Algerian war and the French Press accusing the Germans of wooing Nasser for machinery orders for the Aswan barrage. Within Little Europe, which was a French idea, France has found herself quite isolated. Another illusion gone.

If this latter point seems to involve only France, opinion here holds that Britain for her part has suffered an equal disillusion—in what is hereabouts called the "worm-eaten structure" of the Commonwealth, which, faced with a serious test, has produced largely indifference and some measure of open hostility. The case of Australia apart (and Australia does not need the Commonwealth to hold her to the mother-country), the Commonwealth has done nothing to assist Britain in the famous "matter of life and death"; indeed, on the Continental view of Mr. Krishna Menon as "Nas-

ser's mouthpiece", it has produced some of the most effective opposition to European interests.

The fifth illusion was one that probably no one really believed in, but to which everyone paid lip-service: the United Nations. British and French contempt of that institution has been clearly demonstrated, and their tardy recourse to it when their defeat was already consecrated by the facts only serves to underline its known uselessness. (Its continued inability to do anything about even the minor Israeli affair, recalled by recent bloody events, repeats the lesson). From one end of the Suez affair to the other, the UN has been described as the place where issues get lost in procedure, and therefore useful only to losers who want to disguise their impotence.

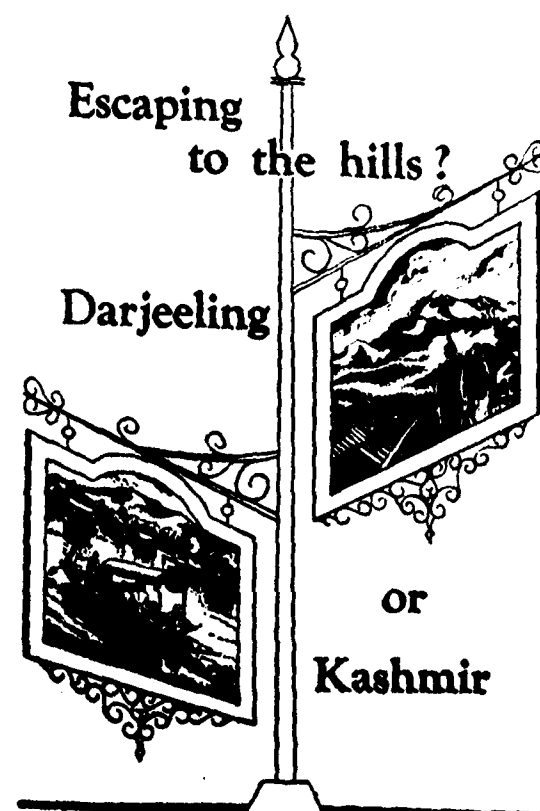
To this series of disillusion produced by the Suez affair was added by accident the sudden outburst of anti-Americanism of that staunch disciple of the Pentagon, Dr. Konrad Adenauer. Infuriated by the Radford Plan, which knocks the bottom out of his foreign policy, Adenauer now believes that West Germany's hope lies not in the alliance with the United States but with a European third force that includes Britain—and in preaching this idea, which he has damned for years past, he shows all the fervour of the new convert. His agreement with Guy Mollet on this point at their recent meeting in Bonn overshadowed even the Franco-German reconciliation over the Sarre and the Moselle and Alsace canals. Let there be no misapprehension about Adenauer favouring a sort of Nehru-style third-force neutralism: by a third force he means, in his own words, a united Europe that can obtain for itself the respect it deserves, i.e. that can avoid humiliations imposed from Washington as much as from Cairo.

Scarcely emerged from this network of illusions, West European leaders have proclaimed their adhesion to another set of empty slogans. The first of these is the *Entente Cordiale*, the revived friendship of France and Britain. The sentimental fatuity that has been poured out on this subject across the Channel since Britain and France met common defeat is very disappointing for those who hoped that the defeated might draw some useful lessons from the Suez affair. Almost alone in France, François Mauriac has pointed out that although the unity of the English-speaking peoples and the unity of the Commonwealth undoubtedly contain an immense amount of self-deception, there is still more life in them than in Britain's links with France and the rest of the Continent. Sir Anthony Eden's quaint French might ravish television-viewers when he calls Guy Mollet "mon cher", but one word from Nehru or one reprimand from Washington would serve to recall Whitehall to its traditional connections. One test suffices: does the *Entente Cordiale* include British support for the Algerian war, and French support for the occupation of Cyprus?

Even more illogical is the conclusion that because West Europe cannot agree what to do about Nasser, therefore it must agree about everything under the sun, i.e. build "a truly united Europe". This is like telling a young couple whom one sees engaged in a public brawl that their only solution is to get married quickly. If Little Europe does not work (as it certainly does not), then a Big Europe including Britain, Switzerland and Scandinavia has even less hope. In being enlarged, the ties between the members would have to be so far relaxed that the new specious "unity" would be largely meaningless, as one can see by considering what form the common European market ("Euromarket") would have to take before Britain could join it.

Europe, then, is in full confusion. Colonel Nasser has wrought a mightier work than he foresaw. What

new forms of alliance will emerge from this period of confusion, one cannot yet say. The United States, which has been virtually leaderless in recent weeks as the election approaches, might be able in the New Year to make a bid for renewed leadership, especially if by then there is a new and healthier President. But the general drift in West Europe will be toward a slackening of the Atlantic alliance (even though on paper nothing will be disturbed) and a search for some fresh form of co-operation that will enable West Europe to make a more effective showing against the long queue of Nassers who are no doubt already lining up to combine Russian and American support in the business of crippling decadent Europe.



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WORLDGRAM

AGRICULTURE

Cold Storage Facilities: India produces over 10 million tons of fruits and vegetables annually. Approximately 15 to 20 per cent of this quantity goes to waste in the producing areas themselves owing to lack of adequate transport and storage facilities. In a Report on Cold Storage released by the Directorate of Marketing and Inspection, Union Ministry of Food and Agriculture, it is revealed that cold storage facilities in the country are available for nearly 20,85,000 maunds of agricultural and other commodities. About 85 per cent of this capacity is in U.P., Delhi, Bihar, Punjab, West Bengal and Orissa, nearly 70 to 80 per cent being available for the storage of seed potato and table potatoes, 10 per cent for fish and meat and the rest for fruits and vegetables. The 'ad hoc' survey, on which the report is based, covered 30 important consuming centres all over India and showed an urgent need for establishing producers' cold storages in consuming centres like Bangalore, Gauhati, Rajkot, Vijaywada, Jabalpur, Jamshedpur, Ahmedabad, Indore, Poona, Bombay, Calcutta, Delhi, Madras, Hyderabad and Secunderabad.

Fruit Juice Powder: A new process for the production of fruit juice powders from mangoes, oranges, and papayas has been developed at the Central Food Technological Research Institute, Mysore. Fruit juice powders are not manufactured in India at present. Under the new process pretreated fruit juice is concentrated and mixed with powdered sugar, fortifying where necessary with vitamins, minerals, salts, colours, flavours, fruit acids etc. Drying is done in an ordinary cabinet drier or in vacuum driers. The dried material is powdered and suitably packed. The process is covered by Indian Patent No. 49590 and has been successfully worked out on a semi-pilot plant scale.

INDUSTRY

Commerce and Industry Ministry Division: Fuller details of the particular industries that would fall within the purview of the Ministry of Heavy Industries and the Ministry of Commerce and Consumer Industries, following the division of the Ministry of Commerce and Industry have been given in a press note.

The Ministry of Commerce and Consumer Industries would deal with the following:

- (1) Plantation Industries.
 - (2) Textiles (i.e. Cotton, Jute, Silk, Art Silk, Coir, etc., but excluding synthetic fibres and yarns).
 - (3) Food, Drink and Tobacco Industries.
 - (4) Domestic ware and household requisites including.
 - (a) Electricals (other than refrigerators and air-conditioning equipment).
 - (b) Hardware.
 - (c) Crockery, Glass and Sanitary ware.
 - (5) Cosmetics and toilet requisites.
 - (6) Stationery and office equipment.
 - (7) Sports-goods.
 - (8) Leather, Rubber, Plastic and Celluloid goods.
 - (9) Drawing, Mathematical Scientific and Surgical instruments other than precision instruments.
 - (10) Timber Plywood and hardboard.
 - (11) Paints and varnishes.
 - (12) Agricultural implements and tools.
 - (13) Bicycles and sewing machines.
 - (14) Musical instruments.
 - (15) Drums and Containers.
- This Ministry would also be concerned with all

small-scale industries.

The Ministry of Heavy Industries will be concerned with the following Industries except those which are carried on as small-scale industries.

- (1) Cement and Iron and Steel Industries.
- (2) Automotive industries including Aircraft, Locomotives, Motor Vehicles of all types, Road Rollers, Tractors etc. and their accessories including tyres and tubes.
- (3) Electrical Engineering Industries, i.e. Motors, Transformers, generators, Switchgears, Cables and Wires, Insulators etc.
- (4) Engineering Industries including Ball Bearings, Machine Tools and other tools, Castings, Forgings and Structural, Bolts, Nuts and Screws Drums and Containers.
- (5) Chemical Industries including Power Alcohol Drugs and Pharmaceuticals, Dyestuffs and Coal Tar, products, fertilizers etc.
- (6) Pulp, Paper, Board and Newsprint.
- (7) Films, for Cinema, X-Ray and Photography and Photographic Chemicals, Apparatus and Accessories.
- (8) Refractories, Crucibles, Electrodes etc.
- (9) Arms and Ammunition; and
- (10) All other industries not shown under the Ministry of Commerce and Consumer Industries.

The Ministry of Heavy Industries will also deal with all applications under the Industries (Development and Regulation) Act, 1951.

Industrial Development in Community Projects:

Survey work is being undertaken in 25 Pilot Projects, under the Community Projects Administration, to assess the potential for industrial development in these areas. The work will be carried out by investigation teams, each consisting of two economists and one engineer, attached to the Regional Service Institutes for Small Industries set up by the Union Ministry of Commerce and Consumer Industries. The Survey Teams will make specific recommendations regarding the development of different industries on a small scale in each pilot area. Three pilot areas have been selected for initial survey in each region.

In the Northern Region the pilot areas selected are: (1) Batala Tehsil (Punjab), (2) Deoband (U.P.) and (3) Dubri Tehsil (PEPSU). The Western Region Project areas are: (1) Karveer (in Kolhapur District, Bombay), (2) Manavadar (Saurashtra) and (3) Goharganj (Bhopal).

The pilot areas in the Southern Region are: (1) Kakinada-Peddapuram (Andhra), (2) Gobe-Erode-Bhawani-Dharmapuram Tehsils (Madras) and (3) Neyyatinkara-Vilavancode (Travancore-Cochin).

The following are the pilot areas for the Eastern Region: (1) Baruiipur Block (West Bengal), (2) Bhangi Sarai (Bihar) and (3) Russilkonde (Orissa).

Production of Cheap Paper From Bamboo: One hundred tons of bamboo will now yield between 67 and 70 tons of cheap paper, as a result of further investigations conducted by the Forest Research Institute, Dehra Dun. The process specified originally by the Institute was expected to yield between 60 and 64 tons of paper from the same quantity of bamboo. Under the improved process, cooking time will be reduced considerably and the quantity of fibre to be converted into bleached fibre pulp also reduced. A mechanical bamboo project for further development of the process has now been set up at Dehra Dun.

Extension Centres for Small Industries: Extension Centres are being set up in a number of industrial towns in the country by the Ministry of Commerce and

Consumer Industries to provide technical assistance to small scale industries. The Extension Centres, which will work under the guidance of the Regional Service Institutes for Small Industries, will render advice on the introduction of improved machines and improved technique, reduction in the cost of production and organisation of industries. The Centres will also be equipped with the workshops for common service facilities or testing laboratories for raw materials for the use of small manufacturers.

Extension Centres for sports goods are being set up in Jullundur and Meerut. An Extension Centre for scientific glassware is being set up at Ambala, at Batala for foundries and agricultural implements, at Ferozabad for pressed glassware and bangles, at Roorkee for surveying and drawing instruments, at Kanpur for bicycle parts and bicycles, at Trichur for footwear, and at Khanpur for cups and saucers. A Centre will be set up at New Delhi also. It has also been decided in principle to open more extension centres in a number of towns.

Government have sanctioned Rs. 91 lakhs for the purchase of equipment and machinery for the Extension Centres, Regional Institutes and Branch Units. A large number of machine-tools are also being acquired from the United States of America under the Air Programme. These machines are being supplied free by the United States Technical Co-operation Mission. An officer deputed to the United States has selected these machine tools which are now being shipped to India.

During the three months — May to July 1956 — technical personnel attached to the Regional Institutes for small industries at Bombay, Calcutta, Madras and Delhi, and Branch Institutes visited over 5,000 small units. They also rendered technical advice, provided information on improved techniques, machines and tools, advice on cost-accounting and gave on-the-spot demonstrations to nearly 3,700 small manufacturers. Over 400 people received advice regarding the starting of new industries. The Institutes also supplied designs, drawings, layouts etc. to a number of people.

The Regional Institutes are training Block Level Extension Officers for the development of industries in the Community Projects. Teams of Field Officers for investigation of small industries are also being trained at the Institutes. Classes in the reading of blueprints have been started at a number of places like Bombay, Surat, Rajkot, Bhavnagar, Indore, Nagpur, Kolhapur, Sangli, Belgam, Hubli, Calcutta and Ludhiana. Six more centers in different regions are proposed to be opened. A course for training workers in heat treatment has been started in Bombay.

TRADE

Marketing of Cattle: India possesses approximately 15.6 crores of cattle and 4.4 crores of buffaloes. These amount to more than one-fifth and a half respectively of the cattle and buffaloes in the world. The value of cattle to the economy of India is estimated at Rs. 3,000 crores annually. A report on Marketing of Cattle released by the Directorate of Marketing and Inspection, Union Ministry of Food and Agriculture, reveals that in spite of India's position being comparatively superior to other countries in cattle wealth, she neither has the greatest density of cattle population in the world nor a high ratio of cattle to human population.

FINANCE

New Industrial Bank in Israel: A new industrial bank, having both Israeli and US capital, has been established in Tel Aviv jointly by the Israel Federation

of Labour, Histadrut, and Ampal, the American-Israel Corporation. It will be known as the Israel-American Industrial Development Bank. The Bank started operation on October 1, with a paid-up share capital of Israel £1 million (£200,000), which is to be raised in the near future to Israel £10 million (£2 million) through the sale of perpetual debentures. Half of this sum is expected to be sold in the US with permission sought in a month or two for the floating of the debentures.

GENERAL

Tungabhadra High Level Canal: The Tungabhadra High Level Canal Scheme, which was inaugurated on October 2, marks the final stage of the biggest project in South India, barring the Nagarjuna Sagar Project. The Tungabhadra project near Hospet (Mysore State) is one of the biggest multi-purpose projects sponsored in South India, involving a total outlay of about Rs. 80 crores including the High Level Canal Scheme. The stone masonry dam across the Tungabhadra river is one of the largest of its kind in the world. The reservoir has a capacity of 1,33,000 m.c.ft. of water which is three times bigger than the Krishnaraja Sagar reservoir in Mysore State and 1½ times bigger than the Mettur Dam in Madras State. The total area irrigable under this project when completed is about 1.2 million acres. The question of sharing waters of the High Level Canal between Mysore and Andhra had been under discussion for over two years and finally an agreement was reached at an inter-State conference held at Bangalore on June 18, 1956, under the chairmanship of Mr. V. T. Krishnamachari, Deputy Chairman, Planning Commission. At the conference, it was decided that the allocation of water in the High Level Canal between Mysore and Andhra should be in the proportion of 35:65. This decision paved the way for taking up the execution of the High Level Canal project almost immediately. The estimated cost of the High Level Canal project is Rs. 19 crores. The scheme will minimise the recurrence of famine in the area and raise the economic level and stability of the people. The scheme provides for the tentative utilisation of 50,000 million cubic feet of water from the reservoir through the High Level Canal, with a maximum supply of 4,000 cusecs to be drawn from the reservoir to irrigate an area of 3.8 lakh acres in Bellary district of Mysore State and Kurnool, Anantapur and Cuddapah districts of Andhra State.

Rich Oil Find in N.-E. Syria: An oil company prospecting in North-East Syria near the Iraqi border has reported striking abundant oil, according to an announcement by the Syrian Ministry of Works. The announcement said the strike was reported by the Menhall Company, which holds an oil prospecting concession in Syria. The company said it made the strike at Karashouk, at a depth of 664 feet. The oil appeared abundant and drilling was stopped, for several days pending the arrival of an Italian expert whom the company had asked to advise on commercial exploitation.

Draft Standard for Aerated Water Bottles: The Indian Standards Institution has issued, for eliciting comments, three draft Indian standard specifications for aerated water bottles, distilled water bottles and tincture bottles. The draft standard for aerated water bottles prescribes the requirements and methods of test for quality of glass, shape and dimensions etc. The draft standards for distilled water bottles and tincture bottles prescribe the requirements and methods of test of quality of glass, workmanship, shape, capacity and limit of alkalinity. It is hoped that these draft standards will go a long way in upgrading the quality of bottles produced in the country and to achieve uniformity.

NEWS IN BRIEF

INDIAN

Two hundred and forty-three investigations were reported to the National Research Development Corporation of India by 25 research institutions, till March 31, 1956, for the purpose of development. Private individuals reported another 11 inventions. The National Chemical Laboratories of India, Poona, headed the list of the contributors (40), followed by the Indian Institute of Science, Bangalore (28), and the Central Research Institute, Madras and the Central Laboratories for Scientific and Industrial Research, Hyderabad (17 each).

The Women's Savings Campaign entered its fourth year on September 30. Investments over the last three years have increased from about Rs. 95 lakhs in the year ending October, 1954, to Rs. 112 lakhs in 1955 and to Rs. 270 lakhs in the year ending September 30, 1956. The provisional estimate for the total collections by the Women's Savings Campaign up till now stands at Rs. 447 lakhs.

A new workshop for the manufacture of railway signalling and interlocking equipment is to be up at Sabarmati, near Ahmedabad, at a cost of over Rs. 25 lakhs.

A process to obtain a fruit pulp of uniform and smooth texture has been worked at the Central Food Technological Research Institute, Mysore. The pulp produced under the new process has bright colour and appearance and has good taste and flavour. A soft fruit beverage is also obtained as a by-product.

Four-engined Skymasters have begun to operate with effect from October 6 the daily Delhi-Calcutta-Delhi day return service of the Indian Airlines Corporation.

In response to a request for rice from Saudi Arabia, India has offered to sell 1,000 tons immediately. Pakistan, which had asked for a loan of 30,000 tons of rice from India, has agreed to India's offer of 2,000 tons. India has already given 5,000 tons of rice to Pakistan as gift and 15,000 tons as loan.

Work on a new colony for Kashmiri displaced persons in Jammu has been started by the Central Public Works Department. Estimated to cost Rs. 56 lakhs, the colony will be completed by the end of March next year.

The North-Eastern Railways' stores depot at Pandu is to be remodelled at a cost of nearly Rs. 17 lakhs, to increase storage facilities, especially in view of the larger requirements of the second Five-Year Plan.

The Indian Standards Institution has issued an Indian standard specification for fixing accessories for corrugated sheet roofing (IS: 730-1956). The standard has been prepared to bring about uniformity in the sizes of the types of the fixing accessories i.e., J-Type and L-Type hook bolts and nuts. It also covers requirements for mushroom head roofing bolts and nuts, and bituminous felt, steel and lead washers.

FOREIGN

Mr. Ghulam Faruque, Chairman of the Pakistan Industrial Development Corporation, recently announced that details of a plan for an iron and steel plant to be set up in Pakistan were being prepared by Krupp of Essen. The cost of the plant is put at more than £45 million.

Output of Australian factories as measured by the Australian and New Zealand Bank Index of Factory Production rose by 4 per cent in the financial year 1955-56 compared with the previous year.

New Zealand today has more cars than ever before and in relation to population, more than any country outside North America. Nevertheless demand, at current prices, has remained unsatisfied, reports the Australia and New Zealand Bank, in its Quarterly Survey.

A new luxury car, capable of speeds in the region of 100 m.p.h. has been announced by the Austin Motor Company and named the Princess IV.

An international exhibition entitled "The Atom", illustrating achievements in atomic energy field will be held in Amsterdam from June 15 to September 8, 1957. A nuclear reactor will be built for the purpose in the US. Ten countries including the US and the Soviet Union are expected to participate.

Japan expects her exports to rise to \$2,400 million (£278 million) in the financial year ending March 1957, according to the Ministry of Trade. In the last financial year, exports totalled \$2,094 million (£247 million).

A smaller cotton crop for the 1956-57 season is forecast by the Egyptian Ministry of Agriculture. In its first estimate of the season, the Ministry puts the crop at 7,201,000 kantars of ginned cotton, against a final 1955-56 crop of 7,253,000 kantars and the 7,567,000 kantars produced in the 1954-55 season.

Employment will rise over the remainder of the year, according to the forecast of the US Labour Department. In addition to higher employment in seasonally expanding trade lines as Christmas approaches, the agency also foresaw substantial increase in manufacturing industries, notably motor-car and aircraft production.

Three shipping companies—Peninsular and Oriental Steam Navigation, Royal InterOcean Line and British India—have announced increases of 10 per cent effective from November 1 on cargoes from Australia to India. The increases do not apply to cargoes from India to Australia.

A DELHI DIARY



The Second Five Year Plan tells us that of the 54 million houses in rural areas a large number need reconditioning or rebuilding. During the Plan period a sum of Rs. 120 crores will be spent on housing, which together with housing expenditure in the private sector, will produce 1,900,000 new houses by 1961.

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What has oil got to do with all this building? Land levelling and transportation of materials call for fuels and lubricants... pumps and generators on site require diesel oil... in almost every stage of building, Burmah-Shell petroleum products have their part to play.

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BURMAH-SHELL...

IN INDIA'S LIFE AND PART OF IT



SIC TRANSIT GLORIA MUNDI?

NATURE has captured our attention this week at least from Wednesday onwards. On Wednesday night at 9-3 p.m.—accuracy in these matters seems to be catching—there were two tremors described as Delhi's severest earthquake in living memory. I must confess that this was by no means the usual affair, of which I am told by highly reputed authorities that there have been on an average five per year in the last nine years. The "all-too-solid" earth seems to have been badly shaken for nearly a minute, and the rumbling after the first tremor looked as though a major upset was impending. Most of us who were dining at the time had the unusual experience of seeing our food gently move away; one statistician tells me the rate at one time was an inch a second! Greedy man that I am, my first action was to grapple with my receding plate, instead of thinking larger and more spiritual things. Soon, however, I was recalled to a sense of community, and rallied to the point that the house had to be vacated. Unhappily by the time my excellent organisation went into swing, the tremors had long died away.

As is the way with the morbid, I tried at once to determine what damage had been done and where. For a few people in Delhi have repeatedly expressed the belief that many of our war-time structures are unsafe, and could be generously brought to earth by such a tremor as this. As far as can be determined by Friday morning, however, all the public sector buildings have gloriously stood the test. There have, indeed, been some fallen houses which include that one covering four families in the cobblers' colony at Nizamuddin. More damage has, however, been done by the heavy rains we have had this whole week than by the earthquake in itself. But even here the loss has not been large. In any case, if this is consolidation to the public sector in New Delhi, all its ancient buildings have gloriously stood the test. The private sector, as usual, has taken all the strain. Can it be that the public sector has acquired, Darwin-wise, the right of survival of the fittest?

THE APPEAL TO SCIENCE

Following Wednesday's experience there has been a rush for scientific information on earthquakes and natural disasters generally. Can they be predicted? Dr. L. S. Mathur, Director of the Regional Meteorological Observatory at New Delhi, has been fencing with many anxious enquiries during the last 48 hours. Unhappily not much enlightenment on the picture has been obtained because Dr. Mathur declares that "no scientist has ever forecast an earthquake". I am wondering whether the prestige of Science which stands superstitiously high in India at the present time will now be reduced by this damning admission that a matter of life and death is outside the scope of scientific prediction. Perhaps the time may come when scientists in India will be as humble as the economists, and will say that while earthquakes, like trade cycles, will certainly come, scientists cannot with their imperfect tools ever say where and when. We will then be thrown back firmly on feminine intuition and—astrology!

SEISMIC?

What is a seismic zone? Many hasty consultations in the last 24 hours have been held with the Oxford English Dictionary to determine what is the meaning of a 'seismic' zone or an 'epicentre' or a 'seismograph'. All these have become highly intriguing since a profound statement emerged "from a usually reliable source" to the effect that Delhi does not lie in the midst of an active "seismic" zone, but has experienced shocks with their "epicentre" within a radius of a hundred miles recorded by the "seismograph" at the Observatory at Lodi Road. I presume that it is comforting to know the meaning of this negative prediction (as distinguished from the absence of a positive prediction previously recorded), but how much more satisfactory would it be if, without knowing their meaning, we could be assured no serious earthquake would ever occur in Delhi? What is the good of our being non-seismic if we still get earthquakes? Or is my little scientific knowledge misleading me? Where ignorance is bliss, it is folly to be wise!

NEGLECT OVER NEPAL?

I must pass from a reverse of nature to a serious man-made reverse. I think the fact that we have been outpaced diplomatically in Nepal by the People's Republic of China is slowly coming home to the Ministry of External Affairs. In any case the presence of Dr. K. I. Singh, the Leader of Nepal's United Democratic Party, in Delhi this week has certainly set many people thinking on the uncertainties of affairs in Nepal. Dr. K. I. Singh who is now—after personal experience of the People's Republic of China—much more attuned to Indian sentiment, said at his Press Conference on Thursday that Mr. Tanka Prasad Acharya in reaching his 6-crore aid agreement with the People's Republic of China had exceeded his powers. He made it clear that Mr. Acharya was not representing the people of Nepal but acting as a nominee without a specific brief even from his own government. That is Nepal's affair; not ours. But Dr. Singh's Press Conference produced a widespread impression that the Indian Embassy in China had not kept our External Affairs Ministry fully informed of the remarkable speed with which Sino-Nepal political and economic relations were advancing at the expense of Indian influence. This may be an erroneous judgment, but it is certainly believed here that we were taken by surprise by the aid agreement which must have been under examination for a period of over a month. At any rate the time has come when the public in India view our handling of affairs in Nepal with serious concern. Has the time also come for greater vigilance to be exercised over those who occupy our strategic embassies abroad? I have, often, in these columns, criticised Sardar K. M. Panikkar when he was our Ambassador in China, but nobody can deny that Sardar Panikkar kept India adequately, and correctly, informed about trends in that country likely to affect India's interests. There were many people after Dr. K. I. Singh's conference who wondered whether our Embassy in Peking is doing an equally good job. As I rush in where angels fear to tread, let me say it is not! Or is it that we have united to Panchshila too much notwithstanding adequate reports? I pause for a reply.

ARGUS.

Special Articles

AN INDIAN LOOKS AT AMERICAN EDUCATION

IV—Some General Comments

By

HUMAYUN KABIR

IN the three earlier studies, I have indicated some of the strong points and weaknesses of American education. Its deep concern for providing adequate openings to the young truly justifies the description of America as the land of hope and opportunity. This has sometimes led to the growth of a social climate in which too great a price has been placed on success. In the anxiety to ensure that no one fails, standards have sometimes been lowered to a point below what is compatible with national interests. This, as I have already said, applies especially to secondary education.

Apart from the value placed on success, there is one other reason why standards have sometimes been lowered to suit the requirements of the least able among the children and the adolescents. It would not be unfair to say that Americans have by and large a more sentimental attitude towards children than Europeans or Asians. There are probably good historic reasons for this. Many of the earlier immigrants into America were young men who had lead a hard life in childhood. Able and ambitious but suffering from dire poverty, they left their own homeland because it did not offer them the scope for their full development. Once they arrived in America and made a success of their lives, they must have felt that their children should not lack the opportunity which had been denied to them. Greater consideration, one may almost say softness, for children may also have been a reaction from European practice. Under the influence of the Church and the trade guilds, children in Europe had a pretty hard time especially from the beginning of the Industrial Revolution till the middle of the nineteenth century. American children enjoy by comparison a degree of freedom and consideration which astonishes the visitor from abroad.

The history of America is also perhaps responsible for another characteristic American development. This is the craze for continual change in American life and education. New fashions sweep across America like wildfire across the prairie. The fact that Americans are derived from many different races, traditions and cultures naturally ensures that no particular tradition or culture has a special hold on the whole group. The existence side by side of different modes of belief and behaviour shakes man's faith in the permanence of any social pattern. It was only the ambitious and the energetic who left their homelands to carve out a new future in America. This has given further strength to the American readiness to accept innovation and change. Because they were able and ambitious, they were willing to take risks. Novelty had no terror for them. In many cases, these immigrants had no devotion for the institutions of their own country. They were rebels and had left their country because they were not prepared to submit to existing conditions. With this mental background, it is not surprising that the tradition of stability and inertia should be weaker in America than in European or Asian societies.

The American fondness for novelty and experiment is felt also in education. In every field of education, more experiments are performed in America than in perhaps the whole of the rest of the world. Almost every year, someone or other comes up with

new solutions for the educational problems at different stages. Nor are supporters for these new panaceas lacking. The fact that there is no central direction or control makes it easier to try out new solutions on a local basis. The result is that American education seems to be in a state of continual turmoil, at least on the surface.

I have used the phrase 'on the surface' deliberately. In spite of the craze for change and innovation, educational patterns in America have not changed basically. This statement may appear paradoxical but the paradox is explained if we remember our earlier discussion about the shaping of educational policy in America. We then saw that in spite of the emphasis on local autonomy, the great national organisations, the United States Office of Education, the State Departments and the Teacher Training Colleges have a deep influence on educational theory and practice. These are all stabilising factors, but what is more surprising is that even the multiplicity of local authorities acts in the end as a conservative force. There are about 60,000 local authorities in America. The corollary is that no change, however revolutionary or far-reaching it may be, can become effective throughout the country at the same time. All these authorities must be convinced about the need and practicability of the change. What generally happens is that some of the local authorities go in for the innovation but others cling to the old practice. The result is a kind of dynamic equilibrium maintained by the interplay of conflicting forces on the local and the national level.

The development of the American people has influenced education and general life in many other ways. It was only the able, the energetic and the discontented who left their homelands for America. A majority of them succeeded beyond their wildest expectations. The general atmosphere of the country is therefore one of hope and optimism. This is so pervasive that it immediately strikes even a casual visitor. In America every young man or woman feels that there is no limit to what he or she can achieve. The only limitations are those imposed by a person's own capacity. The atmosphere of optimism has led to the growth of confidence and self-assertion among the people. This is all to the good but at times it leads also to an attitude that is hardly distinguishable from cock-sureness. Even friendly foreigners are sometimes struck by the American readiness to solve all problems for everybody. We in India perhaps share this character of offering free advice to the rest of the world! In the case of America, this outlook has been further strengthened by the strong evangelical tradition of the early American settlers. They left their homes for the sake of freedom of conscience and were generally deeply religious and devout persons. The religious temper has become diluted in modern America but the attitude of evangelism persists.

I would also like to refer to a social practice which has become widespread in America in the last few decades. This is the practice of paying the children for helping at home. Such payment is undesirable not only educationally but even more from the larger viewpoint of social cohesion. Educationally, it is

undesirable because it brings the money motive into the life of the child at an unnaturally early stage. If a young child of 10 or 12 is paid for looking after a younger brother or sister or for helping the parent with the chores at home, he begins to think of all services in terms of money and money alone. This carries over into his educational work. The child then begins to look upon his studies purely in terms of their monetary utility. This shows in both the choice of subjects and the attitude towards graduation from school or college. Pupils tend to choose subjects not for their educational or cultural significance, but merely as a short-cut to obtain a certificate which will raise their value in the employment market. It also leads many pupils to devote as little time as possible to education proper and utilize all their spare time in earning additional money. It is a quite common practice for high school children or college youth to spend their vacations in working at different jobs which have no relation whatever to their studies. This may be justified where students have to do such jobs as they cannot otherwise pay their educational expenses. Such students deserve both support and admiration, but where it is not necessary for the student to earn his or her living, it is surely a misuse of time needed for education if the vacations are spent on jobs which have nothing to do with their studies. It is a social wastage if undergraduates majoring in physics or philosophy spend three to four months a year washing dishes instead of devoting themselves to further studies in their subjects. In European or Indian universities, students are expected to, and often do, a great deal of additional reading during their vacations. Standards in high schools and colleges in America cannot rise sufficiently unless it is recognized that during the period of tutelage, the principal, if not the sole preoccupation of the pupil should be to study and prepare himself or herself for future responsibilities.

The social consequences of paying small children for work at home seem even more serious. Such payment tends to weaken the sense of family solidarity.

Since the family is the basic unit of society, any weakening of family loyalties is bound to lead to some loss in the sense of social obligation. A child needs not only sustenance, but affection and care from its parents. In return, it must also learn to serve parents and other members of the family with affection and care. The intrusion of the money motive in such relations begins to undermine the natural bonds which hold the family together. If a child is taught to expect payment for carrying out what is after all a family obligation, why shouldn't mothers and fathers also be paid for doing things for the children? The absurdity of this question should help to highlight the intrinsic absurdity of paying children for doing things at home. Children should, of course, receive some pocket money mainly to learn the use of money. Occasionally a parent may also like to reward the special effort of a child in some special way. This should be preferably in the form of a gift from parent to child and should not in any way be a payment of wages in any sense.

I will conclude this brief study by referring to one other paradox in the American educational scene. Americans may be regarded as a nation of individualists par excellence. At the same time, Americans exhibit a passion for organisation which is perhaps unequalled. Every aspect of life is sought to be reduced into a definite pattern of behaviour. This is done through organisations which encroach upon what is often left in other countries to the individual's personal choice. We find the same craving for organisation in the school. Not only studies, but even games, recreation and cultural activities are organised. This American passion for tidiness and organisation sometimes goes to such lengths that very little opportunity is left for individual choice, or initiative by the pupils. I have heard American college students complain that they have hardly any sphere of activity which they can call personal. While on the one hand they seem to have the greatest freedom in choosing the pattern of studies, once they have made their selection they become like cogs in a machine.

THE MACMILLAN PLAN AND INDIA

MR. HAROLD MACMILLAN'S offer to the Commonwealth countries to participate in the European free trade area is an attempt to put the project of the new customs union on a comprehensive basis as a substantial step towards liberalisation of international trade. Is it too early at this stage to anticipate the probable attitudes which the Commonwealth countries would adopt on this important issue, but the existence of a significant common factor in their economies is likely to influence their decisions in the same direction. That common factor is their transition from predominantly agricultural economies to a growing emphasis on industrialisation. Protection is an important plank in their programmes to boost industrial development. How far they will be prepared to forgo protective tariffs and what alternative adjustments will be placed at their disposal will be vital considerations in this question. These considerations will also weigh heavily with India.

In the context of the Macmillan proposal for the integration of the Commonwealth with Western Europe, a broad analysis of recent trends in India's foreign trade with these areas is relevant. Table A below traces the course of these trends. The choice of 1952-53 as the base year for comparison should prove reasonable from two angles—it indicates the post-war pattern and also represents normal conditions free from upsets of prices or level of trade.

TABLE 'A'
INDEX NUMBERS OF VALUE OF INDIA'S FOREIGN
TRADE WITH SELECTED AREAS
(1952-53=100)

Country or Area	1953-54	1954-55	1955-56
Commonwealth Excluding U.K.			
Imports	106.6	104.3	96.4
Exports	84.5	96.5	95.6
United Kingdom			
Imports	102.8	108.8	122.5
Exports	122.7	154.0	134.7
WESTERN EUROPE			
Imports	123.0	148.1	176.6
Exports	89.9	108.3	124.2

These index numbers underline two major conclusions as regards the rate of growth of trade in terms of value. Imports from Western Europe are increasing at a spectacular rate and much faster than in the case of the UK, while imports from the Commonwealth countries excluding UK have registered a decline of 3.6 per cent in contrast with the rising tempo of this country's overseas trade. Notwithstanding the increase in exports to Europe, the UK will continue to be the biggest and growing market for India's exports. While these individual rates of growth positively show a shift in the direction of trade, the size of trade as measured by absolute figures of value is even more important. It discloses the lowest share of the rest of

the Commonwealth in India's imports at Rs. 106 crores in 1955-56. Imports from the UK in the same year at Rs. 173 crores and from Western Europe at Rs. 163 crores were very nearly at an equal level. The shift in emphasis on imports from Europe is brought into bold relief when it is recalled that their value in the case of Europe in 1952-53 was only Rs. 92 crores as against Rs. 141 crores for UK. India's exports to the UK have risen from Rs. 123 crores in 1952-53 to Rs. 166.2 crores and between these years the increase in exports to Europe has been modest from Rs. 62 crores to Rs. 77 crores. The rest of the Commonwealth shows a small decline in the intake of India's exports.

The major conclusion which emerges from these trends highlights the rising importance of Western Europe as a source of supply of imported goods to India. These goods include primarily plant, machinery, equipment, electrical goods, clocks and watches, drugs, chemicals and dyes. In view of the assured prospect of specialisation in industry among the member countries of the free trade zone and the resultant gains in competitive strength to their industrial products, India can draw greater advantage from the recent shift in the direction of her imports, irrespective of the fact whether she joins the free trade area or not.

Mr. Macmillan's description of the projected trade zone as a "partial free trade area", by reason of the almost certain exclusion of products of agriculture and horticulture, puts the entire issue of the pros and cons of participation in the correct perspective. The crucial question which the countries invited to join the customs union will be called upon to decide is the capacity of their industries to benefit from joining the free zone or the risks to which they will be exposed thereby. As an underdeveloped country striving to rationalise the structure of her economy by building up vital industries, India has to examine this issue mainly from the angle of repercussions on her developing industries as well as the host of capital goods and consumer goods industries envisaged from the period of the second Five-Year Plan onwards. Tariff protection has been a potential instrument in the development of her industries and a majority of industries enjoying protection at the present time are of post-war origin. Their varying degrees of strength attained so far and the inevitable prospect of competition from overseas countries leave no doubt whatever that the necessity for continuance of protection will endure for a considerable time. Instances of industries recently de-protected like sugar and sewing machines only demonstrate the value and utility of protection in the infant state.

But the pace of de-protection and its extension to other industries certainly cannot be fast enough as to create confidence that Indian industry in general will be in a situation to dispense with protection in toto after fifteen years, which is the deadline provisionally fixed for achievement of full free trade in the European zone. The comparative rates of import tariffs set out in Table B are instructive to assess the magnitude of difficulties which individual countries will have to confront in reaching the stage of total abolition of tariffs should they choose to enter the free trade community.

The simplification apparent in the statement of tariffs in Table B is intended for facility of broad comparison. Complexities of tariff schedules and the numerous definitions and qualifications as also the lengthy classifications are features common everywhere. Ignoring these conventional complications, it is only in a small number of manufactures like

textile machinery and transformers that India closes relatively low rates of protective import duties, which, however, are explained by special factors and compensatory measures. But, by and large, the disparity in her tariffs and the tariffs of the European countries cited is gross as in the case of car accessories, chemicals and silk fabrics. Re-visions need to be made in this apparent comparison of rates on the grounds of frequent changes in tariffs, temporary reductions or suspensions and levy of additional compensatory tax disclosed by European tariffs; but they are not large.

The extent to which import restrictions levied in this country offer additional protection to Indian industries against competition of imports is probably not fully appreciated. It is not necessary to enter into the details of this significant element of protection, but it is essential to remember that certain protective duties are pitched at existing levels by reason of restriction of import licences to users or of obligation to buy indigenous products in proportion to the volume allowed in import licences. Quota restrictions on imports have been abolished in Western Europe to a ratio between 80 and 90 per cent of the total trade and the residue is largely confined to agricultural products. It is a moot point how far retention of import restrictions will be permitted as a compensatory measure in the free trade area. But it is obvious that this concession will be marginal inasmuch as it will not be tolerated as a device to circumvent effective abolition of trade barriers.

Another important relevant issue is the effect on India's exports to the free zone countries in the event of her non-participation. Among her major exports, tea, raw cotton, oilseeds, coffee, hides and skins do not raise any problem by virtue of their contemplated exclusion from the abolition schedule. Cotton textiles and jute manufactures are the important exports likely to feel the impact of unequal competition. Exports to the UK will continue to receive preferential duties which reduces the area of possible injury to quantities exported to Western Europe. The loss to jute is contingent on Pakistan's participation in the scheme (which cannot be taken for granted) and it will be confined to the surplus she can additionally divert to Europe because of duty-free entry. West Europe's share in India's jute exports is less than 2 per cent, while it is negligible in cotton textiles. No serious injury to exports is apprehended if India decides to stay out.

TABLE B

IMPORT TARIFFS OF INDIA AND CERTAIN EUROPEAN COUNTRIES

(Rates per cent ad valorem)

	India	France	Italy	West Germany	Benelux
Silk Fabrics	50	8-15	13-18	Free	4-12
Chemicals	15-50	15-30	13-32	9-19	Free-20
Car Accessories	63-94½	25	27-36	19-20	6
Textile Machinery	10½	15	18	5	6
Transformers	10	20	15-27	Free-10	8-12

Economic Report from the U.S.

EMPLOYMENT CONDITIONS IN U.S.

(By GUY SIMS FITCH)

WASHINGTON, Oct. 9.—Is the American economy outgrowing its supply of skilled labour? Evidence is mounting that such may be the case. And all over the country economists and business men are trying to figure out just what to do about it.

Let us take a look first at the latest Employment Report available — that for September. It shows that a little more than 66 million are gainfully employed. While this represents a drop of 700,000 from August, it is nevertheless the highest September employment total on record — a full 1.3 million ahead of September 1955.

Actually, the August-September decline represents, in a sense, a net gain, since it falls well below seasonal expectations. The number of available workers always shrinks at this time of year as youngsters holding summer jobs go back to school, and as cooler weather begins to close down on outdoor work.

It follows, then, that at this time of year the number of people out of work becomes a more significant key to labour market conditions. And the September unemployment figures show just how "full" employment is in the U.S. today. Despite the seasonal dip in employment, the number of jobless actually declined some 10 per cent from its August level to about as low a point as the country has seen in the past three years — less than two million, or only about three per cent of the labour force.

This backs up the experience of business men and employment agencies — that workers are getting harder and harder to find. The expanding U.S. economy is creating jobs faster than it can find jobholders to fill them.

For ten years now, the economy has been generating jobs at a dazzling rate of one million a year, while the natural growth in the labour force is estimated at only 600,000 a year.

The figures do not begin to tell the full story, either. This is not merely a search for men to fill employment vacancies. The people most in demand are skilled workers, the more highly trained they are the more they are needed.

Products and processes are getting steadily more complicated and new industries — such as electronics and plastics — are creating new personnel requirements. Meanwhile, the low birth rate of the 1930's has led to a shortage of young people to fill all the available openings. The prospects are, therefore, that employers will be hunting for trained people for a long time to come.

According to estimates drawn up by the U.S. Departments of Commerce and Labour, the number of job opportunities for professional and skilled workers will jump 12.5 million by 1975, — against a rise of only six million in unskilled and semi-skilled occupations.

A recent report by the Labour Department throws additional light on these trends. It shows that at the start of this year some 20 per cent of the jobless around the country were skilled workers, while by mid-year they were only 13 per cent. The percentage of unskilled and semi-skilled workers out of jobs increased proportionately. As a general rule, older persons out of work had greater difficulty finding new jobs, as many of them lacked the skill in demand by industry today.

What is to be done about all this? No single answer is going to supply an immediate and happy solution. But one starting point, in the view of Labour Department officials, would be stepped-up programmes for training new workers and for retraining older workers.

A number of business firms and labour unions already have started to take action along these lines, as has the Labour Department itself. And colleges and universities have been putting greater stress on such fields as engineering, science, economics and teaching, where the needs are greatest.

Meanwhile, for such skilled persons as accountants, pharmacists, office workers, mechanics, and technicians of all kinds, as well as for professional men and women, the U.S. employment picture is exceedingly bright and promises to remain bright.

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The Business World

THE EVER-WIDENING GULF

By
CROESUS

IN its various attempts at patterning the policies in different spheres of economic activity in consonance with its preconceived ideological goals, the Government of India has demonstrated, more than once — although it may not be prepared to admit it — that it is not equipped either with the men or the machinery to come to grips with the practical day-to-day problems of business management for industrial organisation. At a time when the nation has taken on itself the task of implementing an ambitious economic plan, we can ill afford to let an otherwise harmonious and concerted drive towards such a consummation be upset by certain ill-conceived attempts, on the part of votaries of some dogmas, to translate their pet theories into practice. In fact, nearly all efforts, so far, at fusion between theory and practice, political ideology and practical economics, have only resulted in spreading confusion.

All the heat over the much-debated controversial State interference in the textile industry, for instance, would not have been generated, had the Government refrained from its impossible attempt to make friends with both the handloom and the mill sectors at one and the same time. To make common cause with such vastly diversified branches of the same industry is, to say the least, ill-conceived and impracticable. The State, of course, wants the support of the mills and the men behind the organised textile industry, for obvious reasons. At the same time, it must encourage the handloom sector also, despite all the known handicaps that it suffers from, for no less patent reasons. None would be so foolish or unpatriotic as to suggest "let the handlooms be hanged," especially as India's past history, glory and tradition are all known to be part and parcel of the skilled craftsmanship of such home and cottage industries as the handloom industry. That the development of these small-scale industries should be fostered and encouraged, by even Government subsidy, if need be, is as accepted as it is axiomatic. But — that is a big BUT, though — the vexed question is: "should such be attempted at the expense of the established sector?"

For their part, the authorities seem to have no qualms as to when, where, and how they should compete with the men who have pioneered from the very beginning and who have had to face very heavy odds, before setting up the Indian cotton mill industry, which today finds itself on sound and solid foundations. Not content with having increased the excise duties, nor satisfied with the fixation of the so-called fair prices or the limitation on the holding of mill cloth stocks, they would now appear to be considering seriously the possibility of ordering cotton yarn prices too, again in the name of the handloom industry.

Wherever there is a hardening price trend, the Government seems to smell a rat (or is it hot money?) and makes no bones promptly to pounce on the unwary victim before the latter even knows what is happening. In the case of cotton, the rising trend in futures prices produced in its wake official regimentation; even the consequences of creating a vacuum in cotton futures trading and thereby causing harm to the cultivator did not deter the authorities from pursuing their pre-determined path. In the same way, when there was a continuous and steady demand for cloth at rising prices, the powers-that-be mobilised themselves into action. This time, however, instead of just putting a stop to the alleged misbehaviour of the market, the Government

went a step further and declared their intention, in no uncertain terms, to mop up mill profits. Forthwith, they announced an increase in excise duty on all varieties of mill cloth.

Against this background, it is not difficult to believe that the hardening price trend noticed in the last few weeks in the case of cotton yarn has also not escaped the attention of the authorities. It would appear that the Union Finance Minister, who was in Bombay on September 30, spared a little time to listen to the complaints and grievances of the textile industry, especially in respect of the imposition of a heavy excise duty and other equally unpalatable — but, from the point of view of the officials, corrective — doses. Leading textile men who had discussions with the Minister were convinced, it has been reported, that, unless yarn prices became reasonably low (in accordance with the Government's concept of fair prices), the authorities would not hesitate to deal with cotton yarn too in the same way as they have done with cotton cloth. The Minister is credited with having indicated that the Government might not hesitate to take, under the protective wings of its State Trading Corporation, the operation and maintenance of yarn trade with particular reference to fair prices. This threat, in itself, is fraught with grave consequences to the men engaged in the cotton yarn trade. But the Government has added insult to injury, as it were, if it is, as it is rumoured, contemplating the fixation of fair prices, although it may try to make this look less unpalatable by avowing that the proposed action is with a view more to making yarn easily available to the handloom sector than to bringing about a reasonable price level in cotton yarn. The insinuating implication is that the mill industry has all along so contrived things as to keep yarn prices sufficiently high in order that the handloom sector might find it prohibitive to go in for mill yarn! And this impression has not taken long to register itself, and that pampered child, the handloom industry, has not wasted any time in pointing its accusing finger squarely at the mill sector. The resultant situation has naturally become highly embarrassing to the mills, but the latter must exercise restraint and patience in answering the implied mischievous charge.

As a first step, it is perhaps relevant to examine here the statistical position of cotton yarn and to ascertain whether or not the present trend is warranted by the imbalance between supply and demand. The following figures indicate cotton yarn production for the first eight months of 1954, 1955, and 1956:

	1954	1955	1956
	(In million lbs.)		
January . . .	131.7	135.0	130.0
February . . .	122.1	125.0	133.0
March . . .	125.3	135.0	131.0
April . . .	129.1	130.0	131.0
May . . .	129.0	125.0	135.0
June . . .	129.0	133.0	137.0
July . . .	136.0	144.0	145.0
August . . .	132.0	138.0	134.0
	1,034.2	1,065.0	1,076.0

It is evident from the foregoing table that there has been a more or less steady increase in the produc-

tion of cotton yarn. The total production for the first eight months of 1954, 1955, and 1956 was 1,034.2 million lbs., 1,065.0 million lbs. and 1,076.0 million lbs., respectively. The annual rated capacity for yarn was estimated at 1,669 million lbs. at the beginning of the Plan period in 1950-51 and the targeted production at the end of 1955-56 at 1,722 million lbs. This has not been reached as yet, although the actual production of yarn has steadily increased from 1,179 million lbs. in 1950-51 to 1,334 million lbs. in 1951-52, to 1,476 million lbs. in 1952-53, to 1,520 million lbs. in 1953-54, and to 1,577 million lbs. in 1954-55.

As for the price trend, prices of cotton yarn during the greater part of the three months July-September, were maintained at a high level. True, there was some decline in the domestic yarn market during the month of September, but, even then our prices were not competitive with those quoted by overseas interests. In the result, no export business has at all been possible. Invariably, it is the scarcity of sufficient supplies vis-a-vis the steadily growing demand that has been responsible for the hardening of the price trend. Accordingly, the trade also cannot be blamed for the sharp increase in cotton yarns of 20s and 40s, especially in Madras, immediately after the announcement of the increase in excise duty. In short, it is clear that the prevailing tendency for cotton yarn prices to seek higher levels is fully justified on economic grounds and that it is in no way artificially manipulated by mills as alleged by certain sections of the handloom sector.

In these circumstances, it is a moot point whether the Government would at all be justified in gatecrashing its way into the trade and assuming control over the fixation of cotton yarn prices, even if it is only out of its anxiety to find one more line of activity for the State Trading Corporation.

In the context of the increasing power that the Government has been seeking to arrogate to itself by virtue of its proclaimed role of the mentor of the coun-

try's economy, the authorities would do well to remember the sage counsel recently given by the President of the International Bank for Reconstruction and Development, Mr. Eugene R. Black. Mr. Black sought to demolish "three myths" beclouding development policies in underdeveloped countries, namely (i) that only Governments can produce economic growth fast enough; (ii) that inflation is a handy device for making development painless; and (iii) that the foreign investor today is merely an up-to-date version of the old colonisers. We are concerned here only with the first myth about which Mr. Black was quite categorical. He said: "By indulging in the myth that the private sector is trying to force an entry to engage in some sort of evil exploitation, the less developed countries are cutting themselves off from one of the most productive sources of development assistance available to them, including the skills of industrial management and capital". If national passions can be tempered enough to give objective economic methods a chance to work, Mr. Black added, "the result in terms of world peace and prosperity is likely to be very impressive".

Our greatest need in India today also is that national passions require to be tempered to allow a good deal more of objectivity in implementing economic policies. Presently, there is a wide gulf between what is within one's power to achieve and what is sought to be achieved, irrespective of inherent economic worth and utility. The sharp rise in demand for cloth which has outpaced even the present increased tempo of cloth production blatantly cries out for the removal of the ceiling on cloth production, which the Government is not wholly willing to concede. On the other hand, over and above the subsidy that the Centre is called upon to bear, thanks to its ideological commitments, the Government is coerced and urged to pursue a policy to encourage handloom production, which, for all practical purposes, refuses to be encouraged. Here is at least one instance of our Government's economic policy which can take a lot of tempering before it can become objective enough to ensure plenty and prosperity for India.

A BULL POINT

By
CROESUS

THE more one attends functions like the recent annual general meeting of the Bombay Shareholders' Association, especially when such meetings are inaugurated by top-ranking Congress leaders like Mr. Morarji Desai, Bombay's Chief Minister, the more one becomes convinced that there is ample scope for the co-existence of both the public and the private sectors, provided everyone realises, as did Mr. Morarji Desai, that the progress of the country is more important than any doctrine and that this should be achieved through democratic means. As always, Mr. Morarji was outspoken and told his audience not to expect any lowering of taxation; increased taxation, he said, was inevitable in the context of the country's plans for rapid and all round development. But, as regards the place of the private sector in the new scheme of things, his advice to the public was not to bother about any doctrine but to follow only "that doctrine which promoted the progress of the country through maximum employment and democratic means". And he rightly added: "this can be achieved only by the concerted effort of the people". Mr. Morarji's emphasis on employment of democratic means, and people's co-operation this is noteworthy. When he joins the Centre as the Union Minister for Commerce and Industry, which he is shortly tipped to become, it remains to be seen whether his emphasis on em-

ployment will mean more encouragement to the handloom sector to the detriment of the organised mill sector. Being a severe realist and a practical man to boot, he may, however, be expected to give the maximum encouragement to handlooms, without, at the same time, decrying the mills or denying them opportunities, as some of his political confreres are only too wont to do. So, from the shareholders' point of view, as, indeed, from that of most informed people, Mr. Morarji's elevation to the Centre cannot but be a bull point.

As though not to be outdone by Bombay's Chief Minister, Mr. K. R. P. Siroff, Vice-President of the B.S.A., actually anticipated Mr. Morarji when he said that this Association was not very much concerned as to who did the thing. "We are ready to play a more positive and constructive role," he said, "in ensuring economic progress along sound and realistic lines without any doctrinaire regard for the public or the private sector. We stand for all those methods by which the maximum economic progress is possible in a minimum period of time". Yet one could glean through his address his genuine concern for free enterprise, as, for instance when he observed that "a vast field stretches out for free enterprise and what is required of us is imagination, power, to organise and ability to

execute", and when he further added: "I have every hope that private enterprise will justify itself by rising to new heights in the years to come, so that not only unemployment may be eradicated but the country's stature may grow among the industrial nations of the world". In this connection, Mr. Shroff's reference to the investment market becoming responsive to newly developing industries, such as automobiles, machinery manufacturing, engineering, paper, chemicals and dyes, is highly heartening. It must be conceded, as he said, that, if these industries are making the progress that they have been, it is, "in a large measure, the outcome of Government's wise policy of nursing nascent units through protection, tax concessions and price incentives".

As the B.S.A. Vice-President remarked, a reassuring feature of the past year has been the sustained buoyancy in the capital market, as reflected in the singular success of many a large-sized industrial issue. This proves that the flow of savings has greatly increased where, as he pin-pointed the reason, a steady return is assured to the investor. If there are established industries which are not able to offer such a steady return, for no fault of theirs, they must evidently be faced with certain special problems, which, as Mr. Shroff did well to urge, deserve special consideration at the hands of the Government.

Before the flow of savings can be increased, the volume of savings must increase. Accordingly, Mr. Shroff urged that the Government had a great responsibility, what with the nationalisation of insurance, "to vigorously accelerate the growth of people's savings through this fruitful channel of life insurance". He did not exactly throw a challenge to the Government—

but there is scarcely any doubt that he implied it—when he expressed the hope "that Government will show the same initiative and enterprise which distinguished the activities of the private insurers".

The Bombay Shareholders' Association has reasons to congratulate itself on the part it has played in shaping the new Companies Act, in particular the crusade for Company Law reform so vigorously carried on by that undaunted champion of shareholders, the late Mr. Jagmohandas J. Kapadia, the Founder Secretary of the Association. Many a shareholder must have felt genuinely gladdened to hear that the memory of this shareholders' stalwart is being perpetuated by the memorial that the Association has raised in the form of a library and reading room to further the cause company management. As Mr. Morarji Desai advised, shareholders need to maintain smooth relations with companies, since both are interdependent and one cannot survive without the other.

Equally, as Bombay's Chief Minister said, speculation is bound to exist as long as shares continue to exist and it is in the interest of traders themselves not to overspeculate or gamble. It is noteworthy that, although he did not rule out Government intervention in the event of traders ceasing to behave and to be honest he categorically stated that he did not entertain the belief that share markets should be closed down on account of speculation. It is to be devoutly hoped that, in implementing the Stock Exchange legislation that has also gone through already, those responsible for administering it will share this healthy and wholesome belief.

CLOTH PRICES IN DECEMBER AND TO-DAY

By
(CROESUS)

BOMBAY, October 9, 1956.

A CONSIDERABLE flutter has been caused in the dovetails of the cotton mill industry in the last few weeks, consequent on a series of pronouncements, official or unofficial, which were in the nature of a warning, if not a threat. Entrepreneurs, who have staked their all in this industry, are naturally sorely exercised over the way things have been shaping lately. The last straw on the camel's back has been provided now by the Union Finance Minister, who declared, in Coimbatore, a few days ago, that the Government of India might consider "taking over cloth trading", if cloth prices did not soon come down to the level obtaining in December last. While readers might have become by now, more or less, attuned to this shock by our repeated references to the prospects of complete control of the textile economy, those who are intimately connected with the conduct of the day-to-day business in textiles are highly perturbed over the series of powers that the Government has been assuming or threatening to assume unto itself.

When the State Trading Corporation was constituted, we were told that the Corporation was formed for the purpose of building up our foreign trade 'vis-a-vis' Communist countries. The actual performance of the Corporation in the last few weeks and the revelations as to what remains to be done, as, for instance, the threat to take over the trade in cotton textiles, however, makes one suspect whether the State is not becoming rather corrupted with the power already at its command, or, alternatively, whether the authorities have been discovering Communists in unsuspected corners! In either case, it is not a tendency which could be watched with equanimity either by those directly concerned or by those who have not been so affected.

Leaving aside the ethics of the Government's reported move to take charge of trading in cotton textiles, it is relevant here to examine whether there has, in fact, been sufficient provocation for such of move. The Union Finance Minister would seem to hold that the prevailing price trend has been artificially created and he would have us believe that a downward revision of the price in cotton textiles is easy of achievement, if only the mills are willing to co-operate with the Government. His offer of a threat-cum-bait that, if cloth prices do not go up but revert to the December, 1955 level, the State would not interfere will not bear a moment's scrutiny. What exactly was the price trend of cotton textiles like in December and how does it compare with the trend today?

According to the index number of wholesale prices (Base: August 1939=100) for textile manufactures, there was actually a decline from 418 in the month of December, 1954 to 405 in the same month in 1955. As against this, the index number rose to 432 in August (25th August) 1956. It is needless to point out here that this rise in the price trend was an exclusive characteristic of the textile industry. In fact, as between August 25, 1955 and August 27, 1956, the percentage increase has been as much as 24.9 in the case of food articles, as against only 5.2 in that of manufactures, the share of cotton manufacture in which is only 7.5. It is thus patent that the price trend in cotton textiles has been anything but unusual.

Moreover, in textiles, as in every other field of industry, the inflationary potential of large-scale deficit financing is also partly responsible for the general increase in the price level. Apart from this, the cost of production has by no means remained constant. Thus, out of every rupee earned by a mill, it is disclosed by the B.S.A., 52.01 per cent goes towards the

cost of raw cotton used in the process of making cloth, wages constitute 24.36 per cent, manufacturing charges 14.56 per cent, agents' commission 0.92 per cent, depreciation 2.22 per cent, taxation 2.57 per cent, dividend 2.19 per cent, and reserves 1.17 per cent.

Even granting that the price trend in textiles has been on the high side during 1955, it cannot be legitimately held that the mills in the textile industry in general were right on top of the world, as Government officials have been mistakenly led to believe. Facts show an entirely different picture. Thus, according to a study, undertaken by the Bombay Shareholders' Association, the profits earned by textile mills reveal that, out of 60 mills taken into account, hardly 39 made profits on sales of less than 10 per cent. Again, inasmuch as nearly Rs. 1½ to Rs. 2 crores are needed to set up a new unit of 1000 looms and 40,000 spindles, it cannot be held that the average earning capacity of about 8 to 10 per cent on capital, before depreciation and taxation, is unreasonable.

In the light of the foregoing, it is clear that the authorities are not at all justified in accusing the mill industry of profiteering or of keeping an artificial price trend allegedly for ulterior purposes. It may be noted here that, even in announcing the fair retail selling prices of certain categories of cloth, which were based on the Tariff Board's formula of prices arrived at in 1952, the authorities, while admitting the rise in cotton prices, have not bothered to take into their calculations other items like manufacturing charges, wages, fuel and stores, which have not been immune to the general rising trend in prices that has been manifest in all spheres of economic activity, thanks to the acceleration in the pace of development expenditure and the consequent increase in the quantum of purchasing power with the people.

Given below is a table indicating the trend of retail prices:

	Current Rate			Rate in December 1955		
	Rs.	An.	Pi.	Rs.	An.	Pi.
Longcloth Fine	0	13	6	0	13	6
Sheeting Grey, Medium 50" width	1	0	0	0	13	0
Voil Printed Fine Super	1	2	6	1	1	0
Voil Bleached Fine Super	0	15	6	0	14	3

It will be seen from the above table—which is only a random sample survey—that the rise in price does not apply in all cases and even where it does, the extent of appreciation is not abnormal enough to justify such an extreme penalty of practically exiling the textile men in the private sector. From what has been stated so far it is evident that the mills have, in fact, been extra cautious in maintaining a reasonable price level. Normally, the economic factors catalogued as above are enough in themselves to justify a further rise in prices. The prevailing seemingly higher price level is but a notional illusion; in regard to cloth price bereft of the inflationary influences and the double excise duty on it, one at Budget time, and the second, the recent increase in the same impost, it is seen that it reflects only the normal and justifiable result as a consequence of the interplay of supply and demand. Is it not logical, therefore, to ask whether the Union Finance Minister is prepared to accept facts and withdraw the excise duty forthwith, to bring about a further reduction in prices before at least the Divali and Sankranti festivals? Also, it behoves him to vindicate his own statement made in Coimbatore, to give a categorical assurance to the mill industry that the mills could go ahead with their production plans without let or hindrance with a view to augmenting cloth supplies.

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BUSINESS NOTES

INDO-EAST GERMAN TRADE

A THREE-YEAR trade agreement between India and East Germany was signed in New Delhi this week. This was an extension of the earlier pact signed in 1954 and due to expire this month. Both parties have agreed under this pact to facilitate movement of goods between the two countries in accordance with their import, export and foreign exchange regulations and it is also provided that all payments between the two countries will be settled in Indian rupees. India will export to East Germany tobacco, mica, ilmenite, chrome, iron, kyanite and manganese ores, cashew nuts, shellac, vegetable oils, textiles, coir and coir products, handicrafts and chemical and engineering products. East Germany will export to India various kinds of machinery including electric, diesel and steam locomotives, cement and sugar production equipment, optical instruments, wireless communications equipment, newsprint and raw films. Though the pattern of foreign trade under the renewed agreement is not likely to make for any departure, the schedules of commodities attached to it stand subject to revision at the beginning of each calendar year. The agreement also provides for exchange of trade representation between the two countries.

The existing trade between India and East Germany is comparatively small. According to the East German Deputy Minister, Mr. Gerhard Weiss, who headed the trade delegation, exports from East Germany to India amounted to approximately Rs. 1.5 crores in 1955 and Indian exports to East Germany were to the tune of Rs. 85 lakhs. The trade figures for West Germany show a substantial difference. Mr. Weiss, however, pointed out that the foreign trade organisation of East Germany had made export and import contracts with Indian organisations or firms for the exchange of goods between the two countries amounting to Rs. 5 crores for 1956 of which Rs. 2.5 crores had already been realised. The contracts, which have been signed so far, show that the volume of trade has doubled as compared to last year and Mr. Weiss anticipated that this would increase by 100 per cent by 1957. The possibilities of further increasing the trade are of course there and Mr. Weiss disclosed that his Government was prepared to co-operate in setting up industrial plants under the second Five-Year Plan, perhaps taking the cue from the help India had already received from West Germany. But such proposals have yet to be discussed by the two Governments.

RAILWAY TRAINING INSTITUTE

THE OPENING of the Western Railway Training Institute at Udaipur this week by the President underlines the importance the Government attaches to the proper training of the railway staff on whose vigilance and efficient working depends the successful operation of the railways. Dr. Rajendra Prasad specially drew attention to the recent mishaps on the railways involving sometimes heavy casualties. It is now well established that a majority of the accidents on the railways are due, among other reasons, to the human factor. This trend underlines the necessity of proper training of staff in their jobs. Railway travel must be punctual as well as safe and this is possible only by the efficiency displayed by the staff. It is therefore well that the Railway Minister also emphasised this aspect while speaking on the occasion. The development of the railways under the second Plan, he said, would not be possible unless trained personnel were available and therefore it was necessary to train railway employees in different departments of transportation and commercial operations. The Government intends not only to establish additional new training institutes but also to improve facilities in the existing ones. There has been large-scale recruitment in recent years

for coping with the increased volume of traffic and the question of training facilities has assumed importance not only for the initial training of the recruits but also for their subsequent service for improving their quality and efficiency. It would be well if Government would consider the question of utilising the services of retired personnel in this field which would go some way to meet the shortage of training staff.

The Training Institute at Udaipur has been constructed at a cost of Rs. 62 lakhs and it is expected to provide training for 650 persons in commercial, engineering and traffic branches of the railways except mechanical apprenticeship. The building has provision for 25 class rooms sufficient in the beginning to cope with various courses of instruction. An important feature of the school is the provision of model rooms for giving practical instruction to the staff. Model rooms have been provided for transportation, mechanical and civil engineering, telegraph branches, etc.

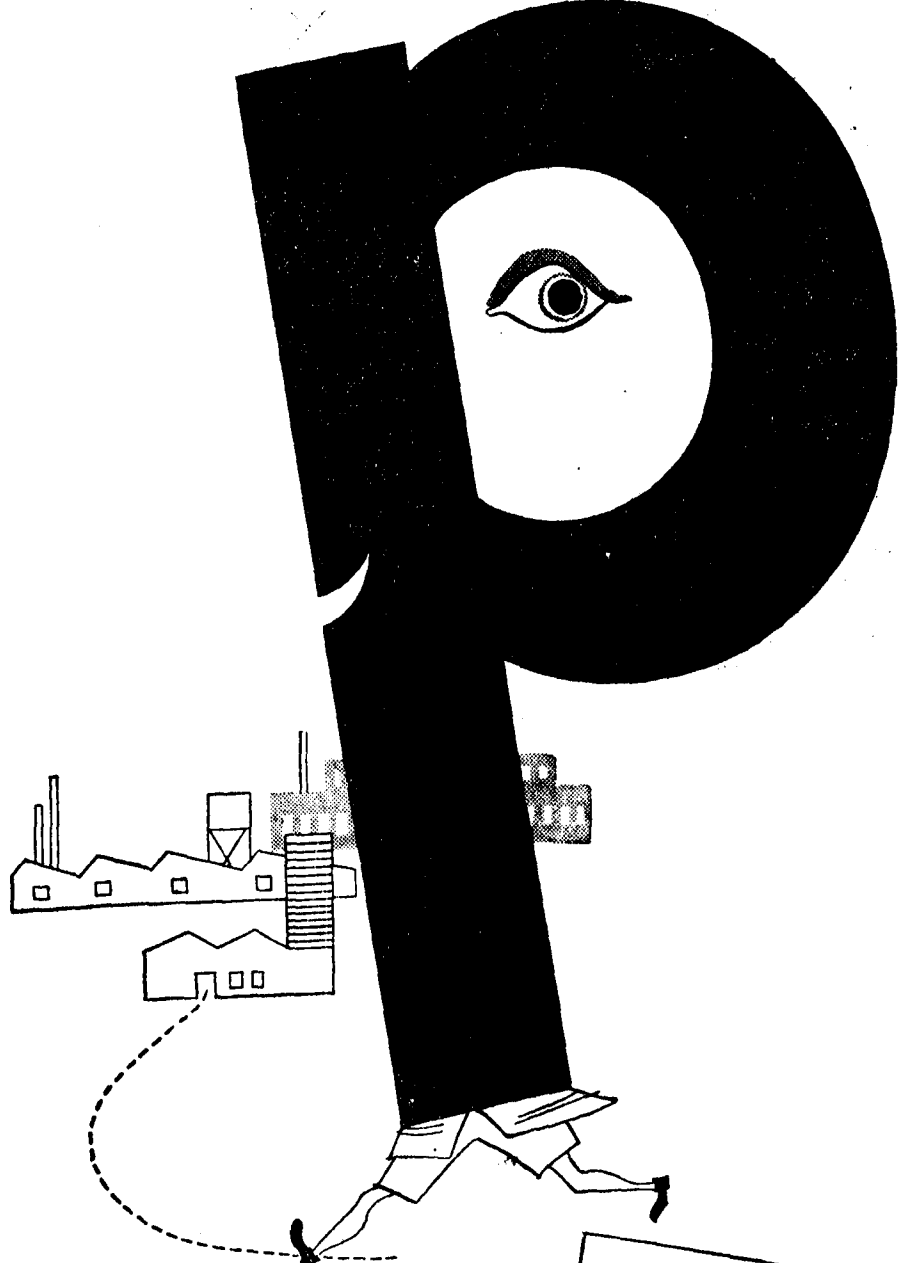
UK EXPORT OF CLOTH AND YARN

LATEST TRADE figures indicate that Belgium is at present the world's largest exporter of cotton yarns followed by the United Kingdom and Hong Kong. In the last year or two, Britain's imports of yarns from Pakistan, India and Hong Kong have increased greatly and there are also substantial imports from Belgium and the Netherlands though these are of special qualities for uses other than the increasing of cotton cloth. The larger shipments to India, Pakistan and Canada this year have helped to offset heavy reductions in the exports of yarn to South Africa, the Irish Republic, other European and some South American countries.

The figures available of British exports during the eight months ended August this year show that exports of piecegoods stood at 315,376,000 sq. yards, a fall of 17 per cent. Exports of cotton yarns for the period at 23,658,000 lbs. showed a fall of less than one per cent while exports of cotton thread were slightly up at 7,376,000 lbs. These figures show changes in the pattern of exports of cotton piecegoods and yarn and a further analysis points to the fact that although over the last few years, exports of yarn have held up better than those of piecegoods, yarn exports last year represented only 22.3 per cent of those of 1954, while the corresponding figure for cotton piecegoods was 28.8 per cent.

JUTE RESEARCH IN DUNDEE

THE CONTRIBUTION made by the Dundee research plant to the improvement of several jute products was explained by Mr. T. D. Bruce, Chairman of the Public Relations Committee of the British Jute Trade Federal Council, while addressing recently agricultural journalists visiting Dundee. The jute industry of Dundee has a gross turnover of £40,000,000 and each year some £48,000 is spent on improving techniques and finding new uses for jute. One of the most interesting results of Dundee research work has been in the treatment of jute fabric to make it resistant for carrying granular fertilizers. A new permanent fireproofing treatment has also been evolved for jute fabric. Other notable developments include the treatment of jute hessian to make it less porous and of grain sacks to make them insect-proof. Also research has been undertaken to protect jute yarn and fabric against mildew. In relation to its size, the jute industry has spent more money on modernisation since 1945 than any other natural-fibre textile industry in Britain. New machinery has been installed, factories improved and a new wage structure introduced. This outlay has been well rewarded. There has been a sharp increase in output per worker. In spinning alone, labour productivity has risen by 40 per cent in the last seven years.



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COMPANY AFFAIRS

THE BIRLA JUTE MANUFACTURING CO., LTD.

The working of the Company during the year ended March, 1956, has resulted in a profit of Rs. 33,00,823, including Rs. 3,12,630 brought forward from the previous year. After providing Rs. 8,44,151 for depreciation (Rs. 3,30,000 for jute mills and Rs. 5,14,151 for calcium carbide department), and Rs. 9,00,000 for taxes for the year, there remains an available balance of Rs. 15,56,672. From this amount, the Directors have recommended payment of a 7½ per cent per annum dividend (less income-tax) on preference shares absorbing Rs. 1,30,770. A 5½ per cent per annum dividend free of income-tax, on second preference shares takes away Rs. 75,909, and a 10 per cent per annum dividend, also tax-free, on ordinary shares absorbs another Rs. 9,12,600. The balance of Rs. 4,37,393 is carried forward.

The calcium carbide factory attained full production during the year and the Directors are seeking Government permission to double its present capacity of 10 tons. Its working has, however, resulted in a net loss of Rs. 27,701 after providing Rs. 5,14,151 for depreciation. Among the Company's expansion programme is the decision to instal a cement factory in Vindhya Pradesh. Orders for a plant of 800-ton per day capacity have already been placed. A staple fibre spinning plant is to be put up at Birlapur which is expected to go into production early next year. On account of the additional finance required for these projects, the authorised capital of the Company was increased during the year from Rs. 1.45 crores to Rs. 4 crores by the creation of 8 lakh additional ordinary shares of Rs. 10 each and 1.75 lakh second preference shares of Rs. 100 each. Out of this, shares worth Rs. 75 lakhs were issued as 5½ per cent free of income-tax second preference shares and these were fully subscribed.

Towards the close of the year, the Assam Jute Supply Co., Ltd. became a subsidiary of the Company; its net aggregate amount of loss for the year ended November 13, 1955, was Rs. 5,598. The accounts of the other subsidiaries—Indian Linoleums Ltd., (for the year ended March, 1956) and Bharat Overseas Corporation (for the year ended December, 1955) — show respectively a profit of Rs. 6,18,915 and a loss of \$1,001.16.

JARDINE HENDERSON GROUP OF JUTE COS.

Bally Jute Co., Ltd.

Before providing for depreciation, the Company shows a profit of Rs. 69,953 for its working during the half-year ended March, 1956. Adding to this Rs. 15,350 brought forward from the previous account, and Rs. 1 lakh transferred from general reserve account, there emerges a total of Rs. 1,85,303. Depreciation has been provided at Rs. 50,000. The Directors have recommended payment of a dividend at Rs. 3-8 per preference share which absorbs Rs. 70,000. The balance of Rs. 65,303 is to be carried forward.

Howrah Mills Co., Ltd.

The Company's profit, before providing for depreciation (Rs. 3 lakhs), for the half-year ended March, 1956, stands at Rs. 2,01,509. The Company has drawn upon the machinery renewal reserve and general reserve accounts to the tune of Rs. 3 lakhs and Rs. 1 lakh respectively, and together with Rs. 11,463 brought forward, there becomes available a sum of Rs. 6,12,972. After providing for depreciation, the balance available for disposal is Rs. 3,12,972. The dividends recommended by the Directors are: On preference shares at Rs. 3-8 per share (Rs. 30,625); on 'A' preference shares, also at Rs. 3-8 per share (Rs. 61,250); and on

ordinary shares at 4 annas per share (Rs. 1,64,062-8), making a total of Rs. 2,55,937-8. The balance of Rs. 57,035 is to be carried forward.

The Reliance Jute Mills Co., Ltd.

Here the results are much more depressing. Once again, the Company shows a loss of as much as Rs. 6,62,661, before providing for depreciation. The previous half-year's loss was Rs. 5,09,680. Together the two half-years' losses make a total of Rs. 11,72,341, which the Directors have carried forward to the next account.

MACNEILL & BARRY GROUP OF JUTE COS.

This group comprises the Ganges Manufacturing Co., Ltd., the Gourepore Co., Ltd., and the Nuddea Mills Co., Ltd. The working results of the Companies during the half-year ended March, 1956, show that they have been no exception to the general depression the Indian jute industry has suffered in the recent past.

The Ganges Manufacturing Co., Ltd.

Loss for the half-year, after providing Rs. 2,08,000 for depreciation, is Rs. 3,93,812. After deducting therefrom Rs. 41,628 and Rs. 84,732, being amounts of refund of taxation for the years 1949-50 and 1950-51, and the credit balance brought forward from the previous account respectively, there remains a debit balance of Rs. 2,67,542. This balance is to be carried forward.

The Gourepore Co., Ltd.

The Company shows a profit of Rs. 14,264, after providing for depreciation Rs. 1,65,000. Allowing for certain other adjustments, the balance is Rs. 7,497 which, together with Rs. 57,208 brought forward, totals Rs. 64,695. A sum of Rs. 1 lakh has been transferred from general and dividend equalisation reserve to be added to this sum. The dividends recommended by the Directors are (1) 6 per cent per annum on preference shares (Rs. 3 per share) absorbing Rs. 79,500; and (2) 5 per cent per annum on ordinary shares (Rs. 2-8 per share), absorbing Rs. 60,000. The balance of Rs. 25,195 is carried forward.

The Nuddea Mills Co., Ltd.

The Company's loss amounts to Rs. 4,92,789, after providing Rs. 2.16 lakhs for depreciation. Deducting the amounts brought forward (Rs. 58,273) and unclaimed dividends forfeited (Rs. 1,516) therefrom, the debit is reduced to Rs. 4,33,000. To wipe out this and to carry forward a sum of Rs. 17,000, the Directors had to transfer Rs. 4.50 lakhs from the general reserve.

THE CHAMPDANY JUTE CO., LTD.

For the six months ended March, 1956, the Company's accounts show a loss of Rs. 1,80,359 after charging Rs. 4,36,139 for depreciation and taking credit for Rs. 14,211 on account of unutilised balance of sales tax contingencies reserve. The credit balance brought forward is Rs. 1,30,505 and balance of rehabilitation reserve transferred is Rs. 14,84,926 making a total of Rs. 16,15,431. A sum of Rs. 12,97,734 has been transferred to general reserve and after meeting the loss for the half-year, the available balance is Rs. 1,37,338. The Directors have recommended a 4 per cent dividend which leaves a balance of Rs. 19,010 to be carried forward.

THE NAIHATI JUTE MILLS CO., LTD.

After crediting Rs. 1,72,751, being refund of income tax for earlier years and after providing Rs. 2,67,166 for depreciation, the Company shows a small profit of Rs. 10,141 for the half-year ended March this year. When the previous half-year's loss of Rs. 3,19,252 is taken into account, there emerges a net loss of Rs. 3,09,111, which the Directors have recommended to be carried forward.

COMMODITY NEWS AND NOTES

DEARER STEEL MOVES IN WEST GERMANY

Efforts by the West German Government to avert increases in steel and coal prices continue though success is not assured. The steel industry suggested to Herr Erhard, Minister for Economic Affairs, that the price of rolling mill products should be raised by an average of DM. 32 (£210s) per ton from October 9. In the case of highest quality thin sheet, this would represent a DM.50 rise. Dr. Adenauer, in a personal letter to Herr Sohl, Chairman of the Iron and Steel Federation, expressed his disapproval of any such move. The final decision on the steel price is expected to be taken on October 9 when a meeting of the Iron and Steel Federation will be held at Dukeldorf. Much will depend on the outcome of the coal price discussions. The mines want an increase of 5s. per ton. The Government is more or less resigned to an increase, but Herr Erhard is trying to keep it within reasonable limits.

PAKISTAN'S TEXTILE EXPORTS

Pakistan has in the last few months stepped up export of cotton yarn and piecegoods. During the calendar year 1955, the total exports were valued at Rs. 76,74,000. A recent statement of exports from Karachi Port indicate a steep increase in fortnightly shipments. The main items of export are cotton yarn and grey sheetings, while smaller quantities of cotton dusters, curtain cloth, table cloth, handloom, purdah cloth chaddars and durries have also figured. Yarn has been exported mainly to Hongkong, UK and West Germany and small lots were exported to Indo-China, Norway and South Africa. Grey sheetings were exported to UK, Sudan, Mombasa and Australia.

SOVIET GRAIN EXPORTS

The possibilities of Soviet grain exports on a large scale is foreshadowed in an official claim that the USSR this year will gather in a bumper harvest. Soviet sources claim that the 1956 grain crops will be of the size expected for 1960, when the measures set in motion by the current Five-Year Plan were expected to have their full effect. The 1960 target is 180 million tons. One-third of the 1960 target to which this year's harvest is claimed to approximate, consists of fodder. This would make a grain output proper of 120 million tons this year—a record yield to be shared between the peasantry, the urban population, industry and foreign markets. Exports would derive the greatest benefit from any sudden leap forward of production by some 15 million tons between 1955 and 1956. If, as is claimed, the Soviet State will be able to buy this year over 60 million tons of grain from its peasants, it would again become a power on world grain markets. The new Soviet-Egyptian grain deal has given a foretaste of possible developments.

SUGAR PRODUCTION

The production of indigenous sugar and its despatches from sugar factories in the country amounted to 18.57 and 15.25 lakh tons up to September 15, 1956, in the current season as against 18.87 and 10.37 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on September 15, 1956, stood at 7.46 lakh tons as compared with 5.96 lakh tons last year.

ITALY'S RICE EXPORTS

During the period from September 16, 1955 to July 15, 1956 exports of rice from Italy reached their peak since many years. In the first ten months of the season, 238,881 metric tons were exported as against 138,411 tons in 1954-55 and 168,557 tons in 1953-54. Indonesia was again Italy's best client, taking 162,000 tons followed by Japan (32,459 tons), Germany (28,599 tons), the British Commonwealth (23,323 tons), Holland (17,115 tons), Switzerland (15,218 tons), Austria (11,901 tons), French Union (9,679 tons), Finland (4,000 tons), Turkey (3,949 tons), Sweden (3,672 tons), Norway (3,670 tons), Denmark (3,106 tons), Israel (2,776 tons), Canada (2,705 tons).

PROCESS TO IMPROVE STORAGE LIFE OF CASHEW KERNELS

The Central Food Technological Research Institute, Mysore has evolved processes to increase the storage life of the roasted and salted cashew kernels by using Vanaspati as roasting medium. In one of the processes (Indian Patent No. 49838) the kernels are first treated with Vanaspati and then heated in a furnace for 20-25 minutes till they assume a slight brownish tinge. The roasted kernels may thereafter be salted, if required and packed in suitable cans. The storage life of such kernels when packed in ordinary atmosphere is about six months against a normal life of three months according to the process at present employed in the industry. In the other process (Indian Patent No. 533319) the kernels are 'deep fried' in Vanaspati at a temperature of 180-180 degrees for 70-90 seconds, the excess oil being later recovered by centrifuging. The kernels are then dipped in molten Vanaspati containing an antioxidant and a synergist for one minute and the excess oil centrifuged off again. The kernels after salting are packed in suitable cans. The storage life of kernels packed in this manner exceeds one year at ordinary temperatures.

BIG INCREASE IN MALAYAN RUBBER EXPORT

Preliminary official statistics released in Singapore last week showed that rubber exports from Malaya in September were up by 11,165 tons to 94,028 tons. This rise of nearly 12 per cent took exports to their highest level since December 1951, when 99,579 tons were shipped. The market explained the abnormally large rise by the fact that the Russian freighter due in Singapore in August to ship 7,000-8,000 tons direct did not sail until September. It is thought that the Russian purchase was included in the September total. The better September shipment means that the highest stocks for five years which were overhanging the market at the end of August can be assumed to have been cut from 15,000 tons to a more normal 4,000 tons.

INCREASED OUTPUT OF COAL IN INDIA

The output of coal in India increased to 3,307,647 tons in August, 1956, from 3,164,647 tons in July, 1956, according to official statistics released by the Chief Inspector of Mines. Despatches of coal amounted to 3,172,927 tons in August, 1956 as against 3,017,398 tons in the preceding month. The stocks at pitheads amounted to 3,018,439 tons at the close of the month, as against 3,372,035 tons at the beginning of the month.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	-95.0
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
January 1956	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April	360.9	472.8	377.0	375.6	498.7	391.2	90.9	100.9	85.5	123.0
May	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
Week Ending 28-7-1956	386.5	496.6	397.7	386.0	562.0	412.3	91.1	100.4	85.1	125.3
4-8-1956	391.5	493.2	400.4	385.7	563.7	413.8	91.0	100.3	85.2	126.7
11-8-1956	397.7	497.4	405.0	387.2	567.0	417.9	90.9	100.3	85.4	127.0
18-8-1956	401.1	505.1	409.5	388.0	564.6	421.1	90.8	100.4	85.3	127.9
25-8-1956	397.9	505.6	411.1	389.8	565.0	421.0	90.7	100.3	85.0	128.5
1-9-1956	395.9	510.7	410.3	391.2	564.8	421.5	90.7	100.3	84.9	128.6
8-9-1956	395.0	508.6	408.6	390.7	553.0	420.1	90.7	100.3	83.7	126.9
15-9-1956	391.6	506.4	408.7	391.6	553.5	418.9	90.7	100.3	83.5	126.0

†Economic Adviser's Series.

††Reserve Bank Series.

Revised*

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1940	288	303	243	132	339	471	372	146	309	165	136	134
1941	292	307	245	132	348	478	377	151	323	164	138	138
1942	298	313	257	132	349	484	372	153	325	165	145	139
1943	314	330	261	142	370	451	391	168	334	167	160	144
1944	321	337	250	143	351	441	380	150	330	151	154	141
1945	346	363	275	140	349	453	387	151	351	147	154	145
1946	342	359	244	138	327	408	373	139	341	148	140	138
1947	322	338	218	130	323	371	364	133	321	134	135	132
1955 October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
January	318	334	226	139	319	404	378	146	334	147	139	133
February	321	337	224	137	315	394	385	142	333	146	132	132
March	334	350	230	139	325	398	387	145	340	148	143	135
1956 April	342	358	239	140	338	409	397	—	354	—	—	143
May	341	357	236	141	342	408	397	—	356	—	—	143
June	342	358	240	141	350	419	—	—	365	—	—	145
July	338	354	244	144	365	436	—	—	369	—	—	—
August	—	—	—	147	—	—	—	—	372	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	28-9-1956			21-9-1956			14-9-1956			7-9-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola	103-14	103-1	103-7	103-8	102-13	103-1	103-5	102-10	103-11	103-10	102-6	103-1
Silver (per 100 fine tolas)	174-7	172-7	173-7	173-1	172-3	172-9	174-15	171-14	172-15	174-12	172-4	173-10

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as percentage of (a)	Rupree Coin	Rupree Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	665.27	705.29	57.94	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	604.02	644.04	55.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.86	92.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	688.92	56.47	102.25	428.61	1,219.17
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.88	553.26	1,356.47
Average of Fridays										
February 1956	1,402.42	9.14	1,411.56	40.02	663.40	703.42	49.83	104.90	603.24	1,411.56
March "	1,446.41	11.13	1,457.54	40.02	678.87	718.89	49.20	103.18	637.47	1,457.54
April "	1,509.33	15.96	1,525.29	40.02	682.69	722.71	47.38	106.38	696.21	1,525.29
May "	1,516.70	13.36	1,530.06	40.02	681.45	721.47	47.15	104.89	703.91	1,530.06
June "	1,496.50	22.32	1,518.82	40.02	682.53	722.55	46.25	105.59	710.88	1,518.82
July "	1,465.35	21.91	1,487.26	40.02	684.18	724.19	48.51	109.49	718.50	1,487.26
August "	1,446.10	27.31	1,473.41	40.02	610.68	650.70	44.34	114.06	702.80	1,473.41
Week Ending										
24-8-1956	1,431.62	24.05	1,455.66	40.02	606.68	646.70	44.43	115.26	693.72	1,455.66
31-8-1956	1,424.51	32.63	1,457.15	40.02	606.68	646.70	44.38	116.74	693.72	1,457.15
7-9-1956	1,440.18	16.25	1,456.43	40.02	596.74	636.76	43.72	116.03	703.65	1,456.43
14-9-1956	1,432.45	25.09	1,457.54	40.02	596.74	636.76	43.69	117.08	703.65	1,457.54
21-9-1956	1,417.71	31.56	1,449.27	40.02	596.74	636.76	43.94	118.80	693.72	1,449.27

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	—	16.10	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.95	47.24	2.62	408.95	1.57	21	81.53	4.85
1948-49*	222.17	6.62	80.53	56.52	365.84	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	78.72	5.06
1951-52*	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.80	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	282.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	256.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	224.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.69	187.74	17.21	9.78	66.96	1.73	36.99	49.36	15.61
Average of Fridays														
February 1956	61.12	13.65	56.38	15.85	147.00	49.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March "	57.51	37.22	49.25	16.93	159.51	48.99	220.30	11.26	9.53	65.31	1.80	3.88	39.44	17.33
April "	56.21	30.15	52.14	17.16	155.66	48.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
May "	61.44	10.27	50.36	13.04	135.11	53.24	188.35	13.48	9.79	35.89	2.36	81.42	37.02	18.61
June "	56.43	8.23	51.92	12.97	129.55	57.81	187.36	22.42	8.94	31.55	3.94	73.06	37.75	18.89
July "	66.46	8.06	52.39	12.23	139.15	57.81	196.96	27.03	5.24	43.55	4.02	63.43	35.80	7.93
August "	59.23	5.89	52.87	12.16	130.15	54.03	184.18	27.30	2.52	31.30	7.02	57.43	49.83	8.52
Week Ending														
17-8-1956	53.72	5.58	53.44	11.92	124.66	61.18	185.84	23.81	2.33	34.39	7.30	60.79	50.12	7.09
24-8-1956	61.58	5.70	53.44	12.50	135.23	44.90	180.13	24.24	3.00	28.79	7.84	54.98	50.13	11.34
31-8-1956	65.77	2.01	56.56	12.27	137.50	46.08	183.58	32.03	3.87	24.94	8.06	52.16	50.12	11.61
7-9-1956	58.86	16.73	56.16	18.01	149.75	50.29	200.04	16.40	6.15	34.22	5.32	74.51	51.81	11.03
14-9-1956	73.41	19.54	53.72	14.39	161.06	48.86	209.92	25.20	5.98	33.14	5.07	76.78	52.19	11.63
21-9-1956	67.43	23.95	52.55	13.81	157.74	51.95	209.70	31.78	4.05	26.40	2.84	90.69	42.37	11.56

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund, National Agricultural Credit (Long-term Operation) Fund of Rs. 10 crores from Feb. 3, 1956 and of Rs. 15 crores from July 6, 1956 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 8, 1956. *Average of Fridays.
†Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49*	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50*	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51*	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52*	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53*	548.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54*	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55*	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	62.08	330.74
1955-56*	608.64	407.95	1,016.59	34.64	52.62	8.69	514.37	118.08	63.02	370.70
Average of Fridays										
March 1956	622.44	415.29	1,037.72	34.83	48.43	8.10	589.55	144.161	71.41	356.65
April "	649.02	423.19	1,072.21	37.74	50.99	8.34	604.85	150.651	71.04	363.42
May "	638.35	432.68	1,071.01	37.76	48.68	8.15	614.22	153.141	71.82	354.97
June "	636.61	446.93	1,083.54	37.96	49.77	8.18	612.04	151.641	71.20	348.66
July "	639.21	454.34	1,093.55	37.76	49.95	8.11	603.33	143.821	69.16	349.38
August "	645.58	460.20	1,105.80	36.85	50.32	8.02	593.16	144.001	67.82	361.50
Week Ending										
24-8-1956	654.47	461.91	1,096.37	37.53	50.72	8.05	591.81	144.191	67.13	362.02
31-8-1956	654.74	461.32	1,096.13	37.68	51.67	8.14	587.70	147.451	67.07	361.42
7-9-1956	639.44	459.04	1,098.41	35.51	53.24	8.17	616.72	141.731	69.81	366.38
14-9-1956	639.14	460.57	1,099.71	37.28	51.09	8.13	612.51	139.281	69.21	371.14
21-9-1956	631.89	461.05	1,092.94	35.08	49.30	8.89	610.26	141.211	69.52	373.48

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday		Money supply with the public	Total currency with the public	Deposit money with the public			Total variation in money supply
				Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
1954-55	..	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	..	2,184.32	1,505.09*	679.23	667.22	12.01	+266.69
August	1955	1,995.61	1,314.74	680.88	632.86	11.60	+4.47
September	..	1,965.46	1,309.69	654.71	632.36	11.70	-4.43
October	..	2,008.47	1,331.40	677.08	635.72	11.12	+24.48
November	..	2,014.88	1,351.24	663.64	640.40	10.81	+24.22
December	..	2,047.15	1,385.87	661.28	650.14	11.14	+44.69
January	1956	2,094.21	1,407.67	686.55	674.12	12.43	+47.06
February	..	2,108.97	1,435.69	673.28	661.97	11.31	+14.76
March	..	2,184.32	1,505.09	679.23	667.22	12.01	+76.88
April	..	2,228.11	1,538.18	689.93	677.43	12.50	+43.79
May	..	2,225.97	1,539.66	686.31	675.69	10.61	-2.14
June	..	2,182.26*	1,506.34*	686.91*	675.75*	11.16	-32.72
July	..	2,150.80*	1,474.40*	676.40*	666.10*	10.30	+41.46
August	..	2,137.93*	1,452.14*	685.79*	675.44*	10.35	-12.67

JUTE STATISTICS

JUTE CROP FORECASTS (Government of India & East Bengal)					SUPPLY AND DISTRIBUTION OF JUTE 1954-55 & 1955-56		
	Prelim. Area (000) acres	Final Forecast			Supply	1954-55 lakh bales	1955-56 lakh bales
		Area (000 acres)	Crop (000 bales)	Bales per acre			
1952-53 Total	35.16	37.24	114.28	3.07			
East Bengal	17.59	19.07	68.23	3.88			
West Bengal	7.52	8.44	24.21	2.87			
Rest of India	10.05	9.73	21.84	2.24			
1953-54 Total	20.58	19.56	56.32	2.89			
East Bengal	7.89	7.60	25.03	3.29			
West Bengal	5.84	5.50	16.36	2.79			
Rest of India	6.85	6.46	15.93	2.46			
1954-55 Total	26.38	24.86	75.90	3.03			
East Bengal	13.04	12.43	46.62	3.75			
West Bengal	5.84	5.70	15.42	2.71			
Rest of India	7.50	6.73	13.86	2.06			
1955-56 Total	30.59	32.16	97.29	3.03			
East Bengal	17.16	18.35	55.92	3.42			
West Bengal	6.36	8.00	20.06	2.51			
Rest of India	7.07	7.81	21.31	2.73			

PRODUCTION OF GUNNIES ('000 Tons)			
Year and Month	Hessian	Sacking	Total
July-June			
1952-53	3,47.7	5,10.4	8,58.1
1953-54	3,90.4	4,44.8	8,35.2
1954-55	3,99.2	5,57.5	9,56.7
1955-56	4,03.0	6,22.9	10,25.9
1955 December	34.0	56.6	90.6
1956 January	30.3	52.6	82.9
February	32.0	54.7	86.7
March	34.8	57.8	92.6
April	32.9	55.0	87.9
May	35.8	59.6	95.4
June	35.0	57.3	92.3
July	34.3	52.9	87.2
August	35.4	48.2	83.6

JUTE			GUNNIES	
DATE	Assam		First Marks for mill (Indian)	Hessian 40"10 oz. (Ready)
	Middle	Bottom		
	Rs. per md.	Rs. per md.		
1956				
1st May	29 8	26 8	33 0	38 0
7th "	29 8	26 8	32 8	38 0
14th "	30 8	27 8	33 0	38 1
21st "	29 8	26 8	32 8	37 15
28th "	29 8	26 8	33 0	37 6
4th June	30 0	27 0	33 0	38 0
11th "	30 0	27 0	33 8	38 8
18th "	29 8	26 8	33 0	38 4
25th "	30 8	27 8	33 8	38 3
2nd July	31 8	28 8	34 0	38 0
9th "	30 8	27 8	34 0	38 2
16th "	30 0	27 0	34 0	38 14
24th "	29 8	27 0	34 0	38 6
30th "	30 0	27 8	34 0	38 9
6th August	31 0	28 8	34 0	38 4
13th "	30 8	28 0	33 8	38 12
20th "	30 8	28 0	33 8	39 0
27th "	32 0	29 8	36 0	40 6

WEEKLY PRICES OF JUTE AND GUNNIES AT CALCUTTA

DATE		JUTE				GUNNIES	
		Assam		Pak. Jute		First Marks for mill (Indian)	Hessian 40"10 oz. (Ready)
		Middle	Bottom	Middle	Bottom		
		Rs. per md.	Rs. per md.	Rs. per md.	Rs. per md.	Rs. per bale	Rs. per 100 yds.
1956							
1st May	..	29 8	26 8	33 0	30 0	180 0	38 0
7th "	..	29 8	26 8	32 8	29 8	180 0	38 1
14th "	..	30 8	27 8	33 0	30 0	190 0	37 15
21st "	..	29 8	26 8	32 8	29 8	185 0	37 6
28th "	..	29 8	26 8	33 0	30 0	190 0	38 0
4th June	..	30 0	27 0	33 0	30 0	185 0	38 8
11th "	..	30 0	27 0	33 8	30 8	185 0	38 4
18th "	..	29 8	26 8	33 0	30 0	185 0	38 3
25th "	..	30 8	27 8	33 8	30 8	185 0	38 0
2nd July	..	31 8	28 8	34 0	31 0	185 0	38 2
9th "	..	30 8	27 8	34 0	31 0	190 0	38 14
16th "	..	30 0	27 0	34 0	31 0	180 0	38 6
24th "	..	29 8	27 0	34 0	31 0	180 0	38 9
30th "	..	30 0	27 8	34 0	31 0	185 0	38 4
6th August	..	31 0	28 8	34 0	31 0	185 0	38 12
13th "	..	30 8	28 0	33 8	30 8	185 0	39 0
20th "	..	30 8	28 0	33 8	30 8	185 0	40 6
27th "	..	32 0	29 8	36 0	33 0	195 0	42 8



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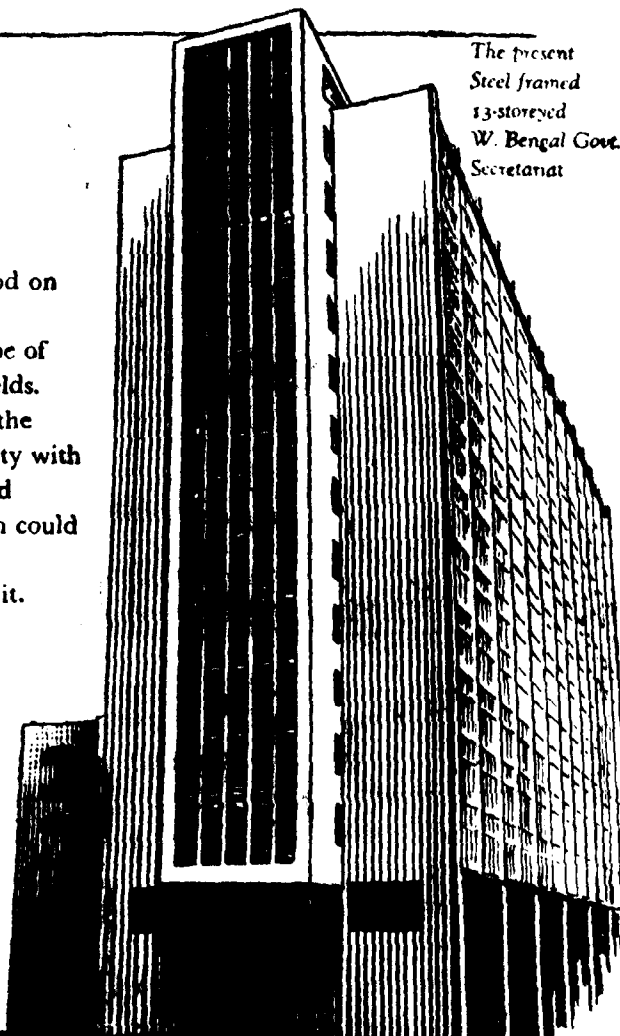
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the banks of the Hooghly, he saw
before him a depressing landscape of
mud hovels, swamps, and paddy fields.
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course of the years a pulsating city with
heavy industry, modern transport and
busy docks—a metropolis which could
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Scene before the old Secretariat—18th century

The present
Steel framed
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Secretariat

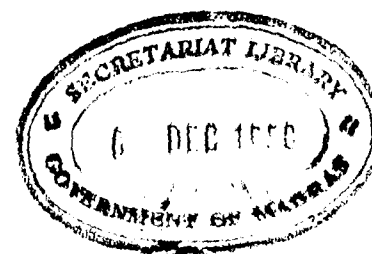


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on
RAILWAY RATING POLICY

The Eastern Economist

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The Battle of the Price Line

SUFFICIENT for the month is the politics thereof. Thus it comes about that in a week in which two great spiritual leaders — the Dalai Lama and the Panchen Lama — and a powerful materialist one, Mr. Chou En-lai, are in Delhi, the accent has still to be taken off politics. The Eastern Economist makes no apology for the return to its front page after seven weeks to economics in the presence of august political personalities in Delhi. It is to be remembered that, while the great political issues of Egypt and Hungary were being hotly debated in the last six weeks, our economic problems have grown steadily more exacting. This week with the Wholesale Price Index at 430 — the highest figure since the Korean boom — it is time that the Government of India took thought on the domestic problems involved in the internal economic transformation, which we have chosen to thrust upon ourselves. The economic world is, in a sense, a world within a world, and it is possible that recent international political events have had some part to play in our present

difficulties, whether in terms of acute monetary stringency or in the rising level of prices which we are experiencing. Nevertheless, this world can be considered, at least temporarily, by itself; what are the main factors whether in money supply or prices which have made this the hardest November that we have experienced at any time?

The problem of financial stringency has called for many essays, mostly academic, and many administrative meetings at various levels. Almost nothing has resulted from either essays or the meetings. Some elementary points, such as that the current demand for money is much greater than its current supply, have been heavily underlined. The text-books tell us that the means to restrict demand and increase supply is a rise in the rate of interest. Alas, the text-books were written for free economies, which are now largely conspicuous by their absence. Our second Plan has produced rigidities which make theoretical market economics childish out-of-date. A discussion of the rate of interest as the "equilibrating" element when the two sides of the money equation refuse to come together is, unhappily, still respectable, as indeed is much of outdated classical economic thinking. And the public, quite mystified, often asks for more. *The Eastern Economist* published a Special Article last week on the rate of interest, which has, unhappily, led readers to believe that we considered such a discussion highly relevant to the present situation. This is precisely the reverse of the truth. The rate of interest is marginal to the current problem, as, of course, *a fortiori*, must be a criticism of the rate of interest. The truth is that no solution of the current financial problem can be found in these terms.

Where, then, does the real difficulty lie? In prices first, in monetary stringency next, and one is in part a reflection of the other. But both are the results of enforced accelerated development. It is useless to discuss either problem, except in terms of the enforced rate of public and private expenditure to which the economy is now geared. What are the factors underlying the current high-pressure demand for new banking funds? The first of these, without doubt, has been the excessive import of steel, which might look deflationary but is the reverse. It is quite true that the demand for steel is far in excess of supply even with current imports. But it is no less true that the imports of steel provide powerful inflationary factors in the economy, by reason of the demand for working capital to fabricate steel, which has taken up advances by over Rs. 100 crores in the engineering and construction industries in the last 12 months; it is likely to take them up over another Rs. 100 crores in the next six months. It is the engineering construction industries which are setting the pace for the current inflationary situation.

To say that if deposits had risen along with the demand for new money, stringency would have been avoided, is an answer to stringency but not to the menace of inflation. The rise of advances would be inflationary for whatever purpose they were used. Therefore, while one can draw serious attention to the failure of deposits to rise with the injection of new money (a factor which is of great importance in the finance of all development) one must recognise that it is development, which is the source of trouble, and not the mere

fact that money is bypassing the banking system. Even if all the new money passed through the banking system an unwarranted rate of development would produce both inflation and stringency. And the solution for stringency, which is more money, is not the same as the solution for inflation which is, first, more production, then less money.

Any sober estimate of the current price situation indicates that what we require at the present time is not less financial stringency but more. The Battle of the Banks is still to be fought on the basis that banks have to strive to attract a larger percentage of development expenditure into their tills. But the whole problem of keeping India's financial system in balance depends on the holding of the price line, which cannot be done by adding new money to a system in which there is at present too much for a stable price level. This is not to give money a villainous role; the trouble is unphased development which, in its turn, is also the cause of monetary stringency.

The object of this argument is not defeatist. To argue that development must be orderly and should take place in a manner which holds the price level fairly stable is not to argue against development. It is, however, to underline the point which the Ministry of Finance has not realised that it cannot put vast quantities of steel and cement into an inflationary situation without causing a further rise in prices, which it then deplores. Unless for every injection of steel or other inflationary development there is set an equal volume of food grains which have the necessary deflationary effect, the chances of holding the line are bleak. At present the Ministry of Food and Agriculture has failed badly at selling food grains in a quantity and at a price which will have the requisite deflationary effect. The net result has been that the Wholesale Index has risen within the last seven months by fifty points or fifteen per cent — a figure which should represent the upper limit for a rise in prices in the first two years of our Plan.

What conclusions then are to be drawn from this discussion? Obviously the rate of development expenditure now in operation is greater than the country can take in the short period. There is thus to be set in motion at once, notwithstanding the demands of producers — whether in the public or private sector — a policy of phasing development so that the price level is stabilised at some figure below its current rate. This implies necessarily the impounding of some steel already imported and the sale of imported food grains at a price which the market can absorb. There are, it is true, difficult political implications under both heads but a Government, which has the full confidence of the people, can afford to face a General Election with some unpopular measures. It does not need to engender inflation merely to capture agriculture votes.

Financial stringency is a banking problem. But, with a given rate of development expenditure and limited deposits the banks are powerless to provide the finance required. And, indeed, if they provided it, they would only be adding fuel to the inflationary fire. It is quite foolish, therefore, to seek a solution of this problem by consultation with bankers. They, like the public at large, can only be onlookers while the pace is

made by the ear of economic progress which has, unhappily, gathered speed too quickly.

It is essential that before any time is lost that the Finance Minister, who has been slightly complacent on this issue, should recognise the seriousness of the current situation for which he is not a little responsible because of the undue speed in steel imports, which his dynamism as Minister of Commerce and Industry bequeathed to our economic system. It is hoped that his dynamism will now be applied to correct the disorder that has appeared. It is important, however, that he should not, somewhat as is his way, adopt hasty measures which will shake confidence.

Coffee Under Stringent Control

THE Plantation Enquiry Commission, in its report on coffee, pins its faith on the virtue of centralisation to secure rationalisation and development of this industry. Most of its major recommendations are inspired by the belief that the machinery of the Coffee Board can be geared to this ambitious task. Not content with prescribing extension of moderate regulation of the industry, it opts for a set of radical suggestions and in doing so it overlooks the limitations on the potentialities of the agency which it singles out to carry through the projected objectives. An extensive programme of replanting is to be implemented at all levels under the control of the Coffee Board, all the existing functions of the pool agents except those of curing are to be assumed by a warehousing corporation operating under its aegis, with a proviso to set up a curing organization as its allied wing, legislative powers are to be conferred on it for the direction of maintenance, replenishment, farming and licensing of production, a plantation finance corporation operating under the guidance of its special committee is to be established in the event of the failure of the State Financial Corporations to grant adequate development finance and, as a culmination of these diverse functions a monopoly of the export trade is recommended for the Coffee Board. Control is to be tightened to a point of stringency short only of direct State operation.

Like the Commission's report on tea, this report, too, lays the greatest stress on replanting. True, as the Commission points out certain estates are threatened with the prospect of abandonment in ten years hence as no action has been taken to replenish the wasting primary asset of trees. The proportion of such estates, however, is small and considerations that apply to them could not be magnified into wholesale generalisations. The Commission has gone into a broad examination of replantings carried out over the last decade in the producing States of Mysore and Madras, which indicates that, on the basis of a span of thirty-five years, nearly half of the programme remains to be carried out. This conclusion cannot square with actual trends in output. It must be recalled that coffee consumption went up by no less than 130 per cent in this country between the pre-war period and now. The entire requirements are satisfied by domestic output which leaves a surplus for export. Latest trend are instructive in this context. Between 1950-51 and 1955-56, production increased by 83 per cent above the level of 18,600 tons at the start. Since the

A two-fold attack on development is, therefore, immediately decreed. The first line is a passive one, the slowing down of new injections either of steel or of money; the second, likely to be far more effective, is the sale of imported food grains at 10 per cent below the ruling market price. Four-fifths of recent price rises have been the result of the rise in the prices of cereals and pulses. It is here the brake has to be firmly applied. Thereafter the lighter brake on industrial development can be relaxed. But in the serious situation which has arisen both brakes must now be set in operation. It would be a grave error to under-estimate the risks that are now being run.

acreage went up by 15 per cent during the period and the Commission has recorded its dissatisfaction with the improvement in the yield per acre, this impressive increase in output could not but be attributed to replanting operations undertaken in the recent past.

The Commission has expressed itself strongly on the policy of dividend distribution pursued by the bigger estates in particular. There has been a failure to create any depreciation reserves at all, or adequate reserves, to rebuild the land assets. This default is now sought to be made good by the establishment of a coffee replanting fund, with contributions drawn in fixed proportions from estates having acreages of 25 and above. Its administration is to be vested in the Coffee Board which is to be empowered with control on withdrawals only for approved programme. The Commission has castigated the estates apparently for frittering away their earnings, but the criticism loses its sting when it is noted that emphasis has been laid on gross profits. The trend of net profits after taxation discloses that sterling and non-Indian rupee companies suffered a decline between 1946 and 1953, due mainly to employment of higher capital, while Indian companies have registered improvement, which need not be ascribed to the realisation of higher prices. The problem of replanting has urgency for non-Indian concerns which, it is stated, carry 75 per cent over-aged trees. The overall situation shows that Indian companies, which account for 90 per cent of the acreage, have a very much smaller backlog — ranging between 30 and 38 per cent.

About 53 per cent of the acreage of the estates is brought under cultivation at the present time which leaves a margin of not more than 15 per cent for further extension. There is force in the Commission's finding that future expansion of output must be achieved largely through intensive methods of cultivation laying emphasis on better maintenance of aged plants, use of better strains of seed, better manuring and better methods of pest control by means of spraying. Already larger outlay is being incurred on these which explains the increase of 28 per cent in the yield per acre to 236 lbs. over 1950-51. Improvement has obviously come from the bigger estates. The Commission recommends legal powers for the Coffee Board to enforce adequate maintenance of estates, replanting, direction of methods of farming, regulation of acreage under plantation, licensing of production, and so forth. The application

of these powers will bring the Board up against the problem of tackling the medium and small estates. The implications of this course have not been fully investigated and too much faith has been reposed in the recipe of co-operative organisation.

Fixation of proper prices has been a vexed issue since the preceding stage of computation of costs on a reasonable formula has proved difficult. The Commission has been unable even to make a broad assessment of the impact of the Plantation Labour Act on the industry's cost structure. It has left the task of computation of costs to an expert body which the Government has been urged to appoint. Meanwhile, the drastic consequences of the Tribunal's Award in Madras State are apprehended to upset the balance in costs. The Commission's suggestions for changing the formula for the basic price for fair average quality will needs be influenced by these elements of rising costs. Rationalisation will have little meaning unless its benefit is directly felt by the consumer. It is indisputable that the average consumer has been meted out a raw deal. In view of the failure of consumer co-operatives to rise to the situation, the Coffee Board has been exhorted to step in for his assistance. Part of the

retail trade is to be shared by the Board with sales subsidised out of a special fund to be created from the surplus realisations of exports above the value calculated on the basis of internal auction value and from accruals due to gains in weight during storage. It is optimistic to expect that this relief will extend effective benefit to the vulnerable section of the consumer class.

The most astonishing recommendation of the Commission is the one which urges the creation of a monopoly of the export trade for the Coffee Board. No satisfactory explanation has been offered for this radical diversion from the established channels of trade. India's share in the world coffee trade is small — about one per cent — and it is unlikely to rise materially. She cannot afford the luxury of experiments. The existing agencies have never been proved wanting in exploring new markets whenever larger quotas were released. Last year the State Trading Corporation handled a mere 500 tons out of the total released quantity of 8,100 tons and that, too, in bulk to the USSR. The public sector is an agency of highly dubious value to maintain, much less to develop, the country's insignificant share in this sphere. The Coffee Board can hardly claim a different complexion in this regard.

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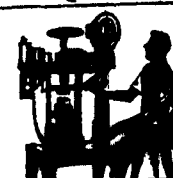
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THE WEEK'S NOTES

YEAR'S SECOND RAILWAY TRAGEDY

WITHIN THREE months of a major railway disaster which killed 117 passengers near Hyderabad, the country has just heard with intense anguish the news of an even more serious train accident, this time near Trichy in Madras State, in which 147 passengers lost their lives. The latest one is the third in a series of major accidents since 1955. All the three disasters were caused by jungle stream floods which had weakened the concerned bridges and embankments on the permanent way. The identical circumstances under which the three accidents took place should highlight the undependable nature of the permanent way in seasons of abnormally heavy rainfall. How the permanent way which has been weakened by age and long use could be strengthened has been dealt with in a leading article of 'The Eastern Economist' issue of September 14, 1956. The article has referred to "the heavy backlog of renewals of track which has been allowed to mount up since the war".

It is this backlog that should have come in for greater attention at the hands of the Railway Administration. Between travel safety and passenger amenities the first priority should have been assigned to the former for, with all the amenities on which crores of rupees have been spent, travel in a 3rd class compartment continues to be the ordeal that it always was. So long as trains continue to be over-crowded the question of safety is of the utmost importance. Where the trains are over-crowded and over-loaded with luggage and are dragged by heavier engines than before, cautious running in rainy seasons would have to become more general than it is now. This may militate against the objective of speeding up trains, but then it cannot be helped in the context of the much heavier goods traffic in the second Plan period. As passenger fares cannot be indiscriminately raised, the limited resources under the Railway Plan might have to be utilised in such a way that track and bridge renewals claim priority attention next to rolling stock. Passenger amenities involving capital expenditure and construction of station buildings and the like can well afford to wait. Between safer travel and more comfortable travel, the preference should naturally be for the former. An air-conditioned Janata Express (III class) is a luxury which the Railways can ill afford at the present time although passengers do pay more for the service.

COMRADE GHOSH'S GOPAK DANCE

IN A 6,000-word reply to Mr. Jaya Prakash Narayan's letter, Mr. Ajoy Kumar Ghosh, General Secretary of the Communist Party of India, has emphatically denied that communist parties throughout the world are "puppets of Moscow". He has admitted, however, that there have been "departures" from the principle of "proletarian internationalism" in relations between the communist party of the Soviet Union and other communist parties and also in relations between the Soviet Union and several socialist States. He has also confessed—a sombre word in Marxist semantics—that among communist parties, including the communist party of India, "the tendency has developed of defending everything done in the Soviet Union and of condemning everyone who criticised any aspect of the Soviet policy."

He has also observed that the mere abolition of classes and exploitation of man by man would not cure all the ills of tormented and tortured humanity. Even after the establishment of socialism, he has remarked, "a continuous, sustained and determined struggle had

to be waged to protect democracy and extend it, to uphold human values, to inculcate the spirit of goodness, tolerance and brotherhood among the people". It is necessary, he has stated, to create guarantees and bring about "necessary modifications in the (Soviet) system" so as to ensure effective control by the people not merely in the execution of policies but also in their formulation. One of the "lessons", the Communist chief has acknowledged, which had been sharply impressed upon the Communists by the recent happenings in Russia and Eastern Europe, is that even in a socialist society there can be "grave defects, excesses and even crimes both inside the country and in relations between other socialist States which are totally indefensible". The Indian Communists, Mr. Ghosh says, were "deeply conscious" of the damage done by their uncritical attitude towards Russia. It was, while defending the "achievements" of the Soviet Union, "their duty and responsibility to have criticised those policies, methods and acts which constituted a violation of the socialist democracy". Mr. Ghosh has assured Mr. Narayan that the Indian Communists are now determined to abandon their "old, uncritical and incorrect attitude" towards Russia. Why did the communists all over the world adopt that attitude was, of course, not explained by Mr. Ghosh, though everybody knows that as instrument of Russia's foreign policy they could not act differently.

After this "self-criticism", Mr. Ghosh unashamedly finds it necessary to justify Russia's re-conquest of Hungary by brutal means. He asserts that in the situation that developed after October 31, such action was "essential" in the "interest of the Hungarian people, and of socialism, world peace, and freedom of the Asian and African peoples". In the very next sentence, however, Mr. Ghosh lets the cat out of the bag. There, he says, that if Hungary had fallen out of the Soviet orbit, "it would have imperilled the very existence of the whole socialist world".

Thus, on Mr. Narayan's challenging question—whether the CPI stood for Hungary or Russia, for freedom or slavery—the Indian Communists continue to prefer Russia, Mr. Narayan's synonym for slavery. The vociferous protestations of the Indian Communists of their independence of Moscow and their delayed criticism of Stalin thus have no meaning. Mr. Ghosh and his comrades continue as before with their Gopak dance to the Kremlin's tune.

P.S.P. AND THE PLAN

NOW THAT the A-ICC has met and dispersed after adopting its economic policy statement, it is natural for the Praja-Socialist Party to bestir itself in view of the coming elections. The second Five-Year Plan, with whatever modifications and alterations it may undergo in some of its details, is the major plank on which the Congress seeks to get the mandate of the people and the P.S.P. has therefore, lost no time in trying to pick holes in the Plan lest the field should be left unchallenged to the Congress. Since the thunder of the 'socialist pattern' of society has been stolen by the Congress after the Avadi session, the P.S.P. ranks have been left in confusion leading to a certain uncertainty about the future of the party. The P.S.P. conference, which met in Bangalore this week, has attempted to retrieve its position to some extent and in a resolution adopted by its Executive on the second Five-Year Plan, it points out that the claim of the Congress to create a socialist pattern of society cannot be maintained seriously because the "objectives are hardly different from positive goals of the welfare economy of socio-capitalist character". "A democratic socialist society", it asserts, "is to be built on the liquidation of capitalism and of the capitalist influence over

national economy and politics". While it may be true that the term "socialist pattern of society" has been left vague to mean several things to several men, the P.S.P. has not enhanced its prestige for clarity by the doctrinaire approach it has adopted in its criticism of the Plan. It is all very well to say that capitalism should be abolished 'in toto' but what is to take its place, how far is it practicable or feasible and what is the acid test to judge the success or failure of the new dispensation? These have not been analysed or explained and the result is that one is left with a few clichés that lead one nowhere.

The P.S.P. has, however, sounded a note of warning in expressing its apprehension that the extension of the public sector as conceived in the second Plan will lead to State capitalism instead of to socialism. It is true that the Plan has laid emphasis on securing "an appropriate devolution of functions and to ensure to public enterprises the fullest freedom to operate within a framework of broad directives or rules of the game". But experience of nationalised undertakings so far has certainly not given one enough confidence that "industrial democracy" is any near of attainment. As for the question of participation of workers in management, it may prove an attractive slogan on the eve of the election, but how far it would operate to bring the "devolution" of authority desired beyond a certain level is anybody's guess. One has yet to hear anything about such experiments in the public enterprises.

THE PRINTED POISON

THANKS TO the notoriety that "horror comics" have gained, the Young Persons (Harmful Publications) Bill had an incredibly easy passage in the Lok Sabha. The Bill, which had the unanimous support of the House, was the culmination of a campaign publicly launched against such "literature" by Prime Minister Nehru last year. Earlier the Government had banned the import of such publications under the Sea Customs Act.

The object of banning "horror comics" is to protect the juveniles and adolescents from vulgarity, crime, sadism, violence, morbidity and the like. Moving the Bill, the Union Home Minister, Pandit Pant reminded the House that heinous crimes had been committed by children at the young age of ten years, under the influence of "horror comics" in some countries of the West, notably the USA. The protection of the juveniles from such unhealthy influence was a "national duty", he asserted.

During the debate on the Bill some members, while supporting it, drew attention to its limited scope and somewhat negative character—negative in the sense that the Government had not come forward to supply good literature for children to fill the vacuum created by the ban on "horror comics". They pleaded, and rightly, for the creation of a Children's Literature Department. Dr. Rama Rao even suggested that "Uncle" Nehru should reduce his official engagements and write books for "his millions and millions of young nephews and nieces". A few extreme defenders of freedom of publication criticised, also rightly, the rather wide scope of the Bill. Such criticism is particularly relevant because the Government, in this matter, imitated, too readily, the English common law, or Hicklin test. The Government apparently forgot that under the said test, magistrates, confining themselves to the letter of the law, have frequently ordered the destruction of even Western classics, not to mention some modern works widely regarded as part of the cultural heritage. Moreover, under the present Bill, a newspaper would be liable to persecution when reporting "the commission of offences" or "acts of violence or cruelty" and "incidents of repulsive or horrible nature". Pandit Pant did, of course, assure the House that things would never come to such an extreme length, for the

Bill's provisions were intended as deterrent. But no government can bind its successors or expect the judiciary to go beyond the language of the Bill. The Bill, we feel, should have included some provisions to ensure that its use would be reasonable.

INDIA'S TERRITORIAL ARMY

RECRUITMENT TO the seven-year old Territorial Army of India has been generally satisfactory, better in the provincial units than in the urban units, except for a deficiency in its technical services. With the passage of the Territorial Army (Amendment) Bill by the Lok Sabha authorising the Government to enrol in the territorial army any able-bodied Government servant or employee of a public utility service, the expansion of the territorial army in an emergency is now ensured. As it forms India's second line of defence, a member of Parliament has pleaded that its original target of 130,000 men be raised at least to 10,000,000 and that every able-bodied man be taught how to handle a rifle. Since there is a certain element of compulsory liability for service in every democratic country, there is nothing wrong with this legislation which would meet the deficiency in the technical section of the territorial army. After all it is only voluntary in nature and by no stretch of imagination does it lead to conscription. The role of the technician in the territorial army is much more vital than in some other arms of the service. Its main functions are to look after coastal defences and anti-aircraft guns in times of emergency.

It is heartening that the Indian Merchants' Chamber, the Mill Owners' Association and the Government offices have agreed to give special leave to territorial army men to attend annual training camps and make good the differences in pay and allowances for that period. Yearly bounty will be given to Junior Commissioned Officers and men for attendance. Those below the age of 25 will be allowed to apply for commission in the regular army. With the conditions being as attractive as enjoyed by commissioned officers of the Indian Army in regard to disability and family pensionary awards, the recruitment to territorial army should get an encouraging response. That more or less the same status is being enjoyed by the territorial army officers as compared to the commissioned officers of the Indian Army is evidenced by the fact that two territorial army officers were detailed for service with the International Supervisory Commission in Indo-China.

Criticism is being levelled in certain quarters that it is unwise to spend so much on India's second line of defence particularly at a time when she has embarked on huge industrial projects for which she needs large financial resources. To those critics the answer is: safeguarding the security of the country is as important as planning to raise the standard of living of the masses. Besides, there is always a danger of a third world war and India cannot afford to take risk with her defence.

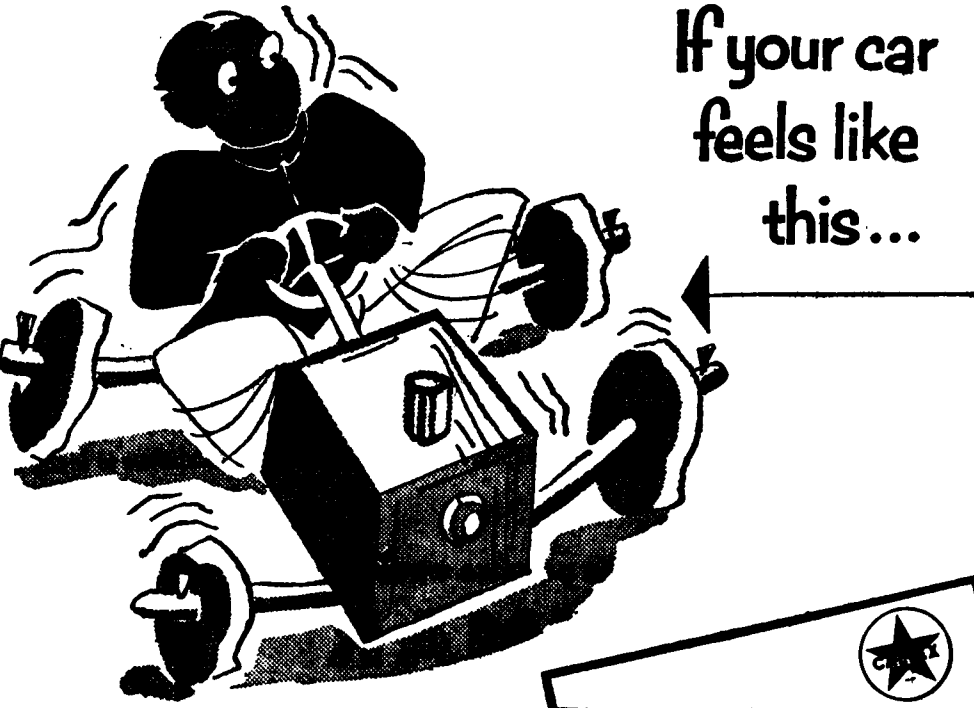
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A Window on the World

IS INDIA A SOCIALIST STATE?

By
ODYSSEUS

FOREIGN OBSERVERS who judge Socialism in India by their experience of it in the West are comparing unlikes.

India is an agricultural country in which only about 17 per cent of the people live in cities. The rural multitudes spent a century of British rule under a paternal bureaucracy and are accustomed to look to government to right wrongs, administer the land revenue, organise famine relief, build roads and bridges, run the railways, dam rivers, maintain irrigation and hydro-electric schemes, and do a score of other jobs. It may be difficult for foreigners, and even for many of the city dwelling Indian industrialists who read 'The Eastern Economist' to grasp that the overwhelming majority of Indians have no notion of large-scale Private Industrial Enterprise. The government has always been the predominant influence in the lives of the rural masses.

But in addition to all this, as Stephen Garvin points out in his "India: A Survey for British Industrial Firms" (F.B.I. London. 1956. 4sh. 6d.), the rulers of independent India are drawn from the middle classes, whose attitude is broadly "petty bourgeois" (I do not use the term critically but descriptively). The few Indian capitalists who exist are politically isolated and their experience and know-how count for little in independent India (although during the struggle for independence everyone was glad enough of their patriotic financial support). Among the reasons for their lack of influence is that Private Industrial Entrepreneurs were unknown before British rule. The first representatives of this class in this country were British. They introduced new ways of making money, and later, in the course of the nationalist struggle, were often identified with what was described as the "rain" of India's wealth away to Europe. A generation before that when, in due course, enterprising Indians went into the cotton and other industries, and began to make fortunes, they were apt to be identified with a foreign system and with un-Indian ways, which did not make them popular.

Not least, of course, India has an administration of civil servants whose tradition it is to adopt a more positive attitude towards their functions than British or American civil servants.

CAUSES OF FOREIGN MISUNDERSTANDINGS

From this it emerges that to approach India with Western notions about the roles of the state and of Private Enterprise in the industrially mature countries of the West can only lead to misunderstandings. As I said last week, Socialism in Europe emerged as a professed cure for the alleged weakness of the Private Enterprise that built up the flourishing national economies which the Socialists have been able to take over as going concerns. Socialism in India is not taking over an economy built up by large-scale Private Enterprise: it is endeavouring to build up a government planned economy out of a predominantly peasant society in which a relatively small fringe of Private Enterprise co-exists, and it has taken on the task because Private Enterprise in India would not have had the resources to do the job at a tolerable pace. Mr. Garvin rightly

observers that much. British and nearly all American comment on India's emerging pattern of economic development is vitiated by the assumption that where the state itself actively engages in industry, Private Industrial Enterprise must suffer. Applied to India, this assumption has no meaning. Mr. Garvin asserts that there are some well substantiated charges which Private Industry can bring against the Indian Government but, he adds, they are not likely to meet with much support from the Indian people. He goes on shrewdly to insist, however, that these charges will be understood by the government if they are made with insight into Indian conditions, but it is a mistake for foreign critics to give the impression that the area open to Private Enterprise is being restricted when it is in fact being enlarged, or to ignore the truth that only the state can undertake the massive investment required to give India the basis of an industrial economy within a reasonable time.

Everyone is, of course, agreed that the most potent single influence on India's economic policy is the character and philosophy of Pandit Nehru. All foreigners agree that he is a Socialist and indeed he has always so called himself. I must, however, now invite all foreigners to mull over the fact that many Indians do not regard him as a Socialist at all.

Is the Congress a Socialist Party? An official resolution before the Avadi Congress in January, 1955, laid down the party's objective as "a co-operative commonwealth" to include "planning... with a view to the establishment of a Socialistic pattern of society, where the principal means of production are under Social ownership or control, production is progressively speeded up and there is equitable distribution of the national wealth."

Foreign observers may be forgiven if they interpret this as a plain declaration of Socialist policy. Yet the greater part of the speech of Maulana Azad, who moved this resolution, was taken up with insisting that whatever a "Socialistic" pattern of society meant, it "did not bind them in any way whatsoever to any dogma or doctrine." The use of the words "Socialistic pattern" was, he said, "deliberate". It was "the most important thing, as we want to have a Socialistic pattern and not Socialism. The word 'Socialism' is on the lips of every child today but we did not use this word at all. We have done this because there is very great depth in the ideal underlying the use of the other phrase 'Socialistic pattern'."

A Socialist state exercises control over every form of human activity, the Maulana said, and Socialists pursue dogma with "childish fanaticism". Nationalisation was only a means to an end, but Socialists worship the means, forgetting the end. The Congress aim was to achieve equitable distribution of wealth by peaceful means. The Maulana distinguished between "national" and "personal" wealth. What was important was to ensure that the national wealth was equitably distributed. Explaining why in January, 1955, it had become necessary to find a new phrase in place of "co-operative commonwealth" to define the Congress ideal, the Maulana said: "This need arose because, as you all know, we have launched upon planning in our country... In all this planning, we have to make clear both

to the planners and to the people whither we are going. The resolution only clarifies the position and does no more. It only says that in all our endeavours we should aim at the establishment of a Socialistic pattern of society."

Several amendments were put forward. Attempts were made to change "Socialistic" to "Sarvodaya", or "society as envisaged by Gandhi", and to advance more definitely towards Socialism. Rejecting Sarvodaya, the Maulana said that it was a "beautiful word" coined by Mahatma Gandhi to express the hope for the dawn of a new era, but it did not imply any economic programme. On the other hand, Socialism implied class war and the Congress was determined to avoid violence. The Maulana's resolution was carried amidst cheers, even though, as we shall see in a future article, upholders of Sarvodaya would laugh hollowly at the suggestion that it implies no economic programme.

A second resolution was adopted in which the "national aim" was described as a "welfare state and Socialist economy". This resolution, submitted by Pandit Nehru, called for the elimination of unemployment within ten years and stated that the second Five-Year Plan should be based on the "physical needs of the people". The goods to fulfil these needs were to be produced mainly within India. The state was to play a vital role in production; the public sector was to become progressively more important, particularly in establishing basic industries, but a private sector would continue to be important, particularly in co-operative and small-scale industries.

Commenting on all this the authors of an excellent booklet, "Indian Approaches to a Socialist Society" (Institute of International Studies, Berkeley, California, \$1.50), demurely summarise the achievements of the Avadi Congress thus: "But to many observers outside the party, Congress leaders appeared to be presenting the country with a paradox. That the occasion was historic, but that nothing had really changed, posed a contradiction which led to critical discussion and varied interpretation".

INDIAN INTERPRETATIONS

The Indian press has disagreed as to the meaning of a "Socialist pattern". Many commentators doubted whether those who voted for the resolution could distinguish between a "Socialistic" and a "Socialist" pattern. Was it a step ahead of, behind, or parallel to a welfare state? "None would dare define" what this Socialistic pattern of society would look like, reported the 'Deccan Herald', and "even Pandit Nehru" who inspired the term, was "brilliantly vague". To the 'Pioneer', the term was only a "distinction without a difference", as neither Pandit nor Maulana had been able to show how a Socialistic pattern could be evolved "by means other than Socialism".

Pandit Nehru's economic programme was "eminent-ly sensible and realistic, but by no means Socialistic", declared the 'Tribune'. The new phrase was intended "only to remind the people and the Planning Commission what the Congress is seeking to establish", and the 'Tribune' added "one wonders why the Congress has substituted the phrase 'Socialistic pattern of society' for 'co-operative commonwealth' when it intends to make no change in its ideology."

The 'Times of India' ruminated sardonically that "co-operative commonwealth" might be too clumsy a stick to beat the Opposition with, that "Socialism" sounded more radical, but "Socialistic pattern" was well adapted to the Prime Minister's "distaste for de-

tails and penchant for soaring well above the earth, if not into the clouds".

Those who wanted the resolution "to say what it meant" had not "grasped the beauty" of the resolution, said the Communist 'New Age'. It was not meant "to say what it meant" but just to be a "catchy slogan".

The Avadi Congress divided Indian commentators into three groups: (1) A minority thought that the Congress Party had always been "Socialistic and were merely dotting the I's and crossing the T's. (2) Another minority agreed that a big step towards Socialism had been taken but disagreed on what kind of Socialism would be promoted. (3) The majority thought that the Congress never had been, and was unlikely ever to become, the means of achieving Socialism, however defined.

Typical of the majority view was the 'Tribune' which said: "No party which seeks to encourage Private Enterprise by all legitimate means, which seeks to give every farmer enough land to cultivate, and which assigns an important role to the small-scale producer in the development of the economy, can legitimately say that it is working towards Socialism".

The editorial view of 'The Eastern Economist' was that the new Congress president had been "imposed from above" in an effort to change the "methods of the Congress" and make "mass contact" outside the present rank and file. This journal saw no sign of a general swing towards Socialism, nor had the Congress Party ranks "shown symptoms of such a shift in doctrine". But "a Leftist slogan has always a certain amount of political appeal" and by openly avowing Leftist orientation, Socialist criticism of the Congress would be disarmed.

[This is the second in a series attempting to explain Indian Socialism to foreign readers. Next week: "The Clue to the 'Socialistic' Muddle".—Ed.]



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SPAIN STIRS IN HER SLEEP

(From Our Special West European Correspondent)

BARCELONA, November 24.

AT a bullfight, when one no longer has the stomach to watch the bloody scene in the sand, one can look at the spectators. Their expressions are always interesting and often instructive. Europe has just seen a more than usually disgusting bullfight, when thousands of brave Russian picadors fell upon the baffled and enraged Hungarian people, teased it for a time and then bled it to death; and just as at the end of a real corrida, the carcass is now being dragged off the arena, deported. Turning away from that scene, watch the curious way these events have been received here in Spain.

The Franco regime's rather hysterical opposition to Communism is well known; for example, although Madrid prefers to forget the days when she was the ally of Hitler, she still ostentatiously honours the Blue Division which Spain sent to fight on the German eastern front, against the Red Army. The tyranny of Communism has been a constant theme of Franco's for 20 years, and what we call the Spanish Civil War is known officially here as the War of Liberation from Communism. So one would expect that the final proof of Communist tyranny that has been provided from Russia itself since Stalin's death would have been loudly publicised here by the self-appointed Crusader against Bolshevism. Not a bit of it. Franco has been even more embarrassed by the downfall of Stalinism than by the downfall of his other enemy, Peron. Even Stalin's death (like Peron's flight) was played down by the controlled Spanish Press, and the subsequent cracks in the East European colonial empire of Russia have been written down as minor affairs.

The explanation is, of course, that however much dictators of various colours may quarrel among themselves, at a pinch they have certain common interests. Every dictator knows that the collapse of someone else's tyranny is not a wholesome spectacle for his own people, for it might give them ideas about reconquering their own lost freedom. (Tito showed this plainly when he reacted as timorously as the Russians to the popular revolt in Hungary; for he knew that a free Hungary would be as dangerous a neighbour for him as for Khrushchev; he only resumed his quarrel with the Kremlin when the Hungarian democratic movement was safely dead). So Franco was very quiet about the resurgence of democratic hope in East Europe. The sight of Stalin's own lieutenants destroying the idol so soon after his death must have given him some unpleasant thoughts about what could happen in Spain within a few years.

Not all the Francoists in Madrid took this view and for the past few months there has been pressure on the Caudillo to make more capital out of the collapse of Stalinism. He was urged, even at the risk of some stirring of hopes in Spain, to bid for international prestige as the only consistent enemy of Communism, the man who was right all along, etc., etc. This pressure reached its height in the early stages of the Hungarian tragedy, and when Russian troops were on the point of openly intervening, Franco let himself be convinced—against his better judgment, as will appear in the sequel. Spain took the decision to carry the Hungarian affair before the United Nations, and some public demonstrations against Communism were permitted in several Spanish cities. News that Spain was about to

bring the Hungarian case before the UN got to London and Paris before Franco could act, and it was this that decided the Western democracies to forestall him. They had hitherto been reluctant to prejudice the hopes of Nagy by offending the Russians, but on the other hand they could scarcely allow Franco to give them a lesson in humanity and democracy.

Although forestalled in the international forum, Spain energetically associated herself with the common protest against Russian action (the protest from which only the other Communist dictators and Mr. Krishna Menon dissented), and public rallies, very rare in Spain, were actually encouraged. The error of this policy, and the correctness of Franco's initial cautiousness, were soon demonstrated.

Thousands of students in this city went down into the streets and, although they began by shouting the officially provided slogans "Down with Communism" and "Long Live Hungary", their cries rapidly became ambiguous. They shouted, even more enthusiastically, "Down with Dictatorship" and "Long Live Liberty". They even sang the Marseillaise, just as the students and workers had done a few weeks before in Budapest. The double meaning of this display was not lost on the Governor of Barcelona, and instantly the police were out in their thousands, the University was besieged and only after some hours of brutality and arrests was "order" restored. The Governor then closed the University indefinitely, and it is still closed as I write. A minor affair, no doubt; it would surely take more than a student riot to bring Franco down. And yet...

Did not the whole Hungarian commotion begin in a student demonstration in Budapest? Were not the singing of the Marseillaise and cries for liberty the sparks that touched off the popular revolt? Could Franco not go the way of Rakosi and Geroe, and if he did, does Spain have a powerful neighbour who would be ready to send in 20 divisions of armoured troops to practise genocide to keep the dictatorship in office? Franco evidently cannot afford to be too light-hearted about even minor affairs once students cry "Liberty" to under-nourished workers.

So one understands the brutal vigour with which the Spanish Government suppressed demonstrations it had itself fomented, and the rapidity with which the Press has reverted to its former line: playing down news from East Europe and exulting only very modestly over the collapse of Russian tyranny. Franco is right to be cautious, and yet we should not exaggerate the dangers he faces. Writing from Madrid in the summer ("Franco Makes His Will", June 1), I said here that it was likely that Franco would die quietly in bed, undisputed master of Spain; and I still think this. The main reason for this is that although Spain is restive and discontented, she is not subjected to the insufferable oppression that drove, for example, the Hungarians to national suicide.

When the Francoist regime celebrated its 20th anniversary in the autumn of this year (dating its reign from Franco's pronouncement at the beginning of the Civil War), the event was marked abroad by much comment and stock-taking. In most of these judgments it was difficult to distinguish the Francoist regime from fascism or the other tyrannies that have

flourished elsewhere in Europe. But this is exaggeration. Franco's government is a dictatorship but not truly a totalitarian one; it is brutal, unjust, repressive, hypocritical and incompetent—above all incompetent. But it is definitely not the continual and violent oppression known in Russia and East Europe, or under Hitler. It is disliked among the Spanish people but it stimulates them, not to despair and frenzy as Stalinism did, but to political indifference and disorientation. Properly understood, Francoism is to be compared not with European totalitarian regimes but with the corrupt and reactionary governments that have flourished so long in the Middle East.

Franco is not a fascist, unless like the Communists we are going to use fascism as a label for anything we do not like. He has never had a mass party nor the backing of powerful capitalist groups. (Spanish capitalism, being centred in Catalonia and the Basque country, is traditionally provincialist and unsympathetic to Madrid centralism.) Since Spain is on paper a monarchy of which he is the "Regent", Franco calls the country a kingdom without a king; most Spaniards call him a king without a kingdom. His power rests not on an all-powerful repressive machine, as say Rakosi's did, but on a series of shifting alliances with sections of the army, the church and industry; he is the symbol of Spain's political exhaustion.

The development of the economy will be a major factor in determining the fate of his regime. Since the Franco-Eisenhower flirtation began, the US Press (notably 'Newsweek' and the 'New York Herald Tribune') have been applauding the "Spanish economic miracle", implying that with US help the Madrid Government has finally got Spain moving toward economic recovery. Observers less compromised with Franco than the Eisenhower regime, point rather to a continuing impoverishment of the economy: even official figures show that since 1936 prices have risen eight times but wages only four times. The truth is somewhere in between: the Spanish economy has been running down under Franco, with growing inequality at the expense of the workers, but lately has begun an expansion that is unbalanced and inflationary but none the less genuine as far as it goes. The main points of the case are that Franco has never had the courage (like the Republican Government he overthrew) to implement a land policy, and that US dollars have been of little benefit in the absence of any dynamic economic programme.

What is Franco's economic policy? In fact, he talks on this subject in much the same words as Mr. Nehru: he is anti-Communist but also decidedly anti-capitalist, he is looking for some middle way whereby the State can hold all the strategic points of the economy without running the whole show, he wants to avoid the alleged horrors of unbridled free enterprise and the stifling effect of totalitarian planning. The results are what one would expect: State capitalism has had some success in steel and motor cars, but private industry and initiative have been virtually paralysed, private firms have to face much unfair competition from the State's pet enterprises, and although the need of foreign private capital is admitted an unreasonable attitude to profits and several nationalisations have frightened it away. The picture is familiar. But Franco differs from Mr. Nehru on the most important point—he has no dynamic plan for expansion, he lacks the courage to reorganise feudal land-tenure systems, and thus ends up merely talking about economic justice while the machine runs down before his eyes. Instead of a firm plan, there is much idle dreaming about crackpot schemes, such as the proposal to found a customs union with the Arab

States and Portugal, including Portuguese overseas possessions (and hence Goa!) While the country's hydro-electric potential has not been exploited, Spanish engineers are in the USA studying atomic power; and so on.

In short this is a lesson in the dangers of State capitalism when dissociated from any concrete scheme to expand national output. No one is allowed to do anything for fear it would be "unjust" and since no one does anything, injustice grows. Franco is a muddling reactionary who can neither spur his country to progressive effort nor spur it to political revolt. Once again, after the outbreaks of last February, and this time stimulated by the collapse of dictatorship elsewhere in Europe, Spain has stirred in her sleep. She is not yet ready to rise, but knows that the bad dream of Franco must end.

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A DELHI DIARY

TO FORGIVE, DIVINE

NEVER in my wildest moments—or, indeed, in the dreams of any of my friends—did we envisage the opportunity in a single week of seeing the Dalai Lama, the Panchen Lama and Mr. Chou En-lai. This I take to be the whole of Tibet, even if it is not the whole of China. When the young Dalai Lama stepped from his plane at Palam last Sunday, I thought I sensed a sigh in the expectant crowd. One imagines much on occasions like this, and I may be quite mistaken. How many of us remember the time when, seeking Indian asylum and just eleven miles from Kalimpong, he was asked to return because he was not welcome when he came without the blessings of the People's Republic which we had recognised? Now we have bid him welcome; I think some of us feel a little ashamed that in come; his hour of deepest trial we were of so little help. But, of course, we were then only the instruments of history, which is a relentless mistress. We could not have done otherwise than we did. Will he accept the warmth of the welcome on Sunday as an 'amende honorable'? After all to err is human, to forgive Divine!

STANDARD PRACTICE

The pattern of receptions for distinguished visitors calls for some little comment. It is now standard practice for our guests arriving at Palam to drive under numerous elaborate archways down roads lined by alternate flags of India and the guest country. The speed with which the alternates come and go pleases us all, children that we are. I wonder, however, whether some of our (intelligent) visitors do not recognise our standard practice, with only the small changes to suit their particular eminence. I live, for example, near an elaborate arch in Willingdon Crescent. It was erected for the Emperor of Abyssinnia who had a simple three-cornered square suited, I expect, to the simplicity of his people's tastes. It acquired another line and a new face to give it a good Buddhist setting when the Dalai Lama and the Panchen Lama arrived. Finally there emerged overnight last Wednesday a new (and somewhat unstable!) arch which, I suppose, was the symbol of the People's Republic of China, though it looked to me more Buddhist than ever. At the present time, it still carries the Chou En-lai touch; I hope this is not symbolic of the suggestion that China will overtake all others in the colour it imparts to our minds! This particular arch has, however, become a friendly monument; I am in a position to describe its anatomy since I have seen it built and then dressed and redressed. Alas, like many of our receptions, it is hollow, and its riotously gay countenance can well deceive the uncritical eye!

WHAT IS PEACE?

'What is Truth?' asked Jestling Pilate and paused for a reply. In much the same way I have been asking myself, since hearing the Chinese Foreign Minister on Thursday, what is Peace? Mr. Chou En-lai spoke volubly of the necessity of peace. Without disrespect, may I say that the paramountcy of peace which Mr. Chou En-lai preached on Thursday was somewhat nebulous and not a little negative. Hungary, for example, could have peace if only she accepted Moscow's view on the best of all possible worlds. Is this the kind of peace that India and China desire? Peace, like Pontius Pilate's Truth, is a perpetual question-mark. Mr. Chou En-lai's studied silence on Hungary has reduced some of our enthusiasm for his utterances which this time

have struck no responsive chord. It also seems to me a pity that the Dalai Lama and the Panchen Lama have been unable (are there political strings attached to their visits?) to express their views on both Egypt and Hungary. I have no doubt that they must have many things to say; but, perhaps, in our age and time, the Heads of Religions are expected to be more seen than heard, at least when their Foreign Ministers are at hand!

THE SHAPE OF THINGS

While we await a communique, and hope vainly that Panch Shila (after our Hungarian experience) will not be overdone this time, one is free to speculate on global questions using the great telescopes of Modern Geopolitics. I have recently learned that with these tremendous instrumental aids, if one is daring enough, one can take in a larger and larger view each time, till one embraces the entire world. My friends with similar interests, and much cleverer pseudo-scientific practice, have been drawing my attention most pointedly to the despatches of 'The Eastern Economist's' Special West European Correspondent. They tell me (innocent man that I am I had not grasped this!) that there is written in these very pages the shape of things to come, with a sense of prophecy which is more penetrating than anywhere else. Official circles (may I say this with a hushed voice and a due sense of reverence?) are also greatly impressed. Apparently America and the Soviet Union (the great land masses in the Age of Mackinder) are going to coalesce, now that neither of them dare face an Atomic War. The conclusion of this deliberate perpetual peace between the land masses is somewhat disturbing to the Rimlands, on which Britain and France are unhappily perched. Land Mass One is attracted to Land Mass Three, comprised in the Afro-Asian group. One and Three, by a law of advanced mathematics, will contain Two in much the way that two sides of a triangle are greater than the third. Since Rimlands are redundant in the shape of things to come, they will be left to become neutral, whether Tory or Labour, or Socialist or Radical Socialist or even Poudjast. We thus enter readily into the Heart of Power. It happens that many enlightened people in Delhi are looking to the visit of the Prime Minister to Washington in terms of the huge embraces proposed by the land masses. When the Prime Minister meets President Eisenhower, will Land Mass One join with Land Mass Three? This is a question which, as a wise man, I choose not to answer; quite frankly, my acquaintance with land masses is very recent!

A BOLT FROM THE BLUE

Just as I was delivering this 'copy' to my angry printer, I have heard about the new taxation proposals. My first reaction is one of admiration for the Government of India's security system since this particular secret was beautifully kept and (regrettably) a noted market correspondent tells me that the Stock Exchange expectations were quite the reverse. It is a good thing to catch the market napping. I cannot, however, say that I am happy about the effect of these sweeping proposals upon the Plan. But, of course, I must use my perfect alibi. Will not 'The Eastern Economist' deal with the body while I slip away and prove that I have never been near the exacting spot?

Economic Report from the U. S.

IKE'S NEW ECONOMIC ADVISER

(BY GUY SIMS FITCH)

WASHINGTON, Nov. 27.—A new man will take over next week as chairman of President Eisenhower's Council of Economic Advisers. But little change is expected in the Administration's economic policies. Dr. Raymond J. Saulnier, the new chairman, is known to have much the same view of the government's relationship to the national economy as does his predecessor, Dr. Arthur F. Burns. Both believe that the federal government has a distinct responsibility in moderating economic fluctuations. In essence, this means to them promoting economic growth within the free enterprise system, while avoiding excesses of inflation and deflation.

This similarity of views may spring—in part, at least—from the close association the two men have maintained for some time. Saulnier was for two years a consultant to the Council, before becoming a member of the three-man body last year. Before that, like Burns, he had been a professor of economics at Columbia University in New York. Like Burns, too, Saulnier is a specialist on business cycles, a careful interpreter and conservative forecaster of economic trends. While Administration policy is not likely to change under Saulnier, there could be some shifts in emphasis. Saulnier's speciality in business-cycle research is finance. He is believed to lean more heavily than Burns toward taxes rather than credit controls or public works as stabilizing instruments.

At the moment, Saulnier appears chiefly concerned with the inflationary forces in the American economy. In line with the Administration's efforts to maintain a "sound dollar," he believes that the principal problem facing the United States now in the years ahead is the upward movement of prices. This movement, he holds, is particularly evident in an economy which is operating at or near full-production and full-employment levels. He is especially interested in knowing more about the impact of consumer credit, which he considers a potent and growing influence in the economy. According to most observers he has an open mind on the question of direct consumer-credit controls—a subject of considerable controversy in administration and business circles. In fact, as a consultant to the US Federal Reserve Board he helped draw up the government's curbs on mortgage and retail credit during the Korean "emergency."

Saulnier's first major task in his new job will be to complete the President's annual economic report to Congress, due early next year. The report already is being worked on by the Council's small but expert professional staff. It remains to be seen how much emphasis this document, under Saulnier's guidance, will give to recommendations for legislative stand-by controls on consumer credit, to be imposed if or when needed. The President last January asked Congress to look into this very matter.

Economists also will be studying the economic report to see what the President, with the advice of his Economic Council's new chairman, will recommend with regard to easing credit for housing and small business. Burns is known to have favoured such steps. Saulnier's experience in the international field will prove especially useful at this time, when world economic problems are on the rise. He has on several occasions represented the Administration at foreign economic conferences, and he promises to bring to his new assignment a fresh and important knowledge of foreign viewpoints and problems. Only 48 years old,

Saulnier has won the respect of his associates. Those who know him well say he is more inclined than was his predecessor to delegate responsibility. And they are confident that under his direction the Council of Economic Advisers will continue to exert that influence which for the past decade has helped keep the American economy strong and stable.



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WORLDGRAM

AGRICULTURE:

Development of Forests: An area of about 400 sq. miles is proposed to be brought under forests during the second Five-Year Plan, stated Shri Ajit Prasad Jain, Union Minister for Food and Agriculture, in a written reply to a question in the Lok Sabha recently. The total area under forests during the first Five-Year Plan was 277 thousand sq. miles. According to available informations, the area under forests during 1952-53 was 260 thousand sq. miles. Information for later years was not readily available.

Country-Wide Net-Work of Seed Farms: In addition to making better use of manurial resources for stepping up food production, another concrete step to put through a programme of setting up 4,282 seed farms during the second Plan period to supply quality seeds to cultivators has been taken by the Union Ministry of Agriculture. These seed farms dispersed over different States of the country will each have an area of 25 acres. The financial assistance from the Centre for laying out these seed farms in different States will be made on a loan-cum-subsidy basis. Regarding cost of land, the Centre will provide Rs. 12,500 for a farm of 25 acres and towards cost of building seed stores another Rs. 10,000 per farm will be provided. In both these cases, the Central grants will be on a basis of 25 per cent loan and 75 per cent subsidy. In regard to irrigation facilities, the Centre will advance Rs. 10,000 per farm as loan to the States. The recurring expenditure on these farms will be borne by States themselves. A total subsidy amounting to Rs. 72,77,625 and a loan of Rs. 47,78,535 have been sanctioned for the current year, 1956-57 for setting up 459 seed farms. By the end of the second year of the second Plan period, it is expected that about 1,962 seed farms will have been set up.

INDUSTRY:

Determination of Free Lime in Portland Cement: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard method of test for determination of free lime in portland cement. The draft standard has been prepared to provide a guide to determine free lime content in cement. It outlines three methods, of which the first method, though tedious is accurate and will have to be used as referee method. Two alternative methods have been included which are rapid and are useful in determining free lime as part of testing routine in a manufacturing work.

New Industries in Andamans: Three saw mills, a small shipping yard for constructing wooden boats and two units producing coir and small-scale industry products have been established in the Andaman and Nicobar islands after India became independent. The capital invested in these industries, both by the public and private sectors, was Rs. 3,91,800 and the number of persons employed was 354.

Selection of Grinding Wheels: The Indian Standards Institution has circulated, for eliciting comments, draft Indian standard recommendations for selection of grinding wheels. The draft attempts to provide information in very general terms, on the major considerations, that should influence the selection of wheel suitable for a given class of work. Comments on this draft which has been prepared by I.S.I.'s Abrasives

Sectional Committee, may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before January 31, 1957.

Expansion Scheme for Bhadravati Steel Works: The plant for increasing the production of cast iron pipes at the Bhadravati Iron and Steel Works is expected to go into production by June 1957. Plant and equipment, required for the purpose, have been received and will be erected shortly. The scheme of expansion envisaged an increase in the annual capacity of the Stee Works in the production of cast iron pipes from 10,000 tons to 22,500 tons, pig iron from 24,000 tons to about 100,000 tons, steel ingots from 35,000 tons to 100,000 tons and finished steel products from 39,000 tons to 85,000 tons. The Government of India had sanctioned loans amounting to Rs. 1,51,66,000 between 1951-52 and 1955-56 to the Mysore Government for the improvement of the Bhadravati Iron and Steel Works.

Standard for Wrought Aluminium: The Indian Standards Institution has published two Indian standard specifications IS: 739-1956 for wrought aluminium and aluminium alloys, wire and IS: 740-1956 for wrought aluminium and aluminium alloys, rivet stock, for general engineering purposes. These standards form part of a comprehensive series of eight Indian standard for different forms of wrought aluminium and aluminium alloys for general engineering purposes now under preparation. Each of these standards is divided into two parts.

TRADE:

Foreign Sea and Air-borne Trade of India in October, 1956: The provisional figures of foreign sea and air-borne trade of India on private and Government accounts during October, 1956, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows:
Merchandise: Excluding transit trade of Pakistan but including that of other land frontier countries: Exports Rs. 52.26 crores. Re-exports Rs. 42 lakhs (transit trade negligible); Imports Rs. 68.71 crores (transit trade Rs. 1 lakh); Total trade Rs. 121.39 crores. **Treasure:** Exports of currency notes Rs. 1.10 crores, others—nil. Imports of gold Rs. 1 lakh; currency notes Rs. 3.13 crores, others—nil. **Balance of Trade:** The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures and to the exclusion of figures for transit trade, the total value of exports (including re-exports) of merchandise, gold and silver fell short of imports by Rs. 16.03 crores.

Export Promotion Council for Leather: An Export Promotion Council for Leather has been formed, with the support of the Government of India, to maintain and promote the export of tanned hides and skins and leather goods. This is the eighth in the chain of such Councils sponsored by Government to maintain and develop export markets for Indian products. The other seven Councils, already in existence, are those for cotton textiles, silk and rayon, plastics, engineering goods, cashew and pepper, tobacco and mica. India's annual exports of tanned and dressed hides and skins are of the order of 4,70,817 cwts., valued at about Rs. 22.7 crores.

FINANCE:

Customs and Excise Revenue Collected in Indian Union for September, 1956: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in the Indian Union during September, 1956, amounted to Rs. 15.17 crores as compared with Rs. 14.18 crores in the corresponding month of the previous year. The comparison in the subsequent paragraphs should be taken to refer to that of the current figures with those of the corresponding period of the preceding year. Of the total customs revenue collections, import duties accounted for Rs. 12.18 crores as against Rs. 10.31 crores, export duties for Rs. 2.60 crores as against Rs. 3.77 crores and land customs and miscellaneous for Rs. 39 lakhs as against Rs. 10 lakhs. The total gross collection of Union excise duties amounted to Rs. 15.42 crores as compared with Rs. 12.38 crores. During the six months, April to September, 1956, the grand total of gross customs and Union excise revenue realised was Rs. 166.18 crores as compared with Rs. 153.96 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 66.46 crores as against Rs. 60.62 crores, export duties for Rs. 12.11 crores as against Rs. 18.09 crores, land customs and miscellaneous for Rs. 1.63 crores as against Rs. 80 lakhs and Union excise duties for Rs. 85.98 crores as against Rs. 74.45 crores.

Loans for Indian Shipping Companies: A sum of Rs. 12,53,53,770 has been granted as loans by Government of India to four Indian shipping companies, since April 1, 1956, for the purchase or construction of twelve ships. Companywise, the loans granted are: The Indian Steamship Co., Ltd., Calcutta — four overseas ships Rs. 6,53,33,770. The Scindia Steam Navigation Co., Ltd., Bombay — Rs. 52,00,000 for the purchase of a second-hand vessel and Rs. 2,40,00,000 for two overseas vessels to be built in Germany. The Great Eastern Shipping Co., Ltd., Bombay — Rs. 51 lakhs for one overseas ship to be built in Visakhapatnam yard and Rs. 1,40,00,000 for one overseas ship to be built in Germany. The Malabar Steamship Co., Ltd., Bombay — Rs. 62 lakhs for a coastal ship purchased second-hand and Rs. 55,20,000 for two coastal vessels to be built in Belgium.

Balance of Payment: Replying to a question in the Lok Sabha recently, Shri B. R. Bhagat, Deputy Minister for Finance, said that during 1955-56, India had a favourable balance of payments with Australia, New Zealand, Burma, Ceylon, Malaya, Aden, Iraq, the U.S.A., Canada, Philippines, Netherlands, Afghanistan, Iran, Saudi Arabia, Ethiopia, Indonesia, Thailand, Argentina, China and Poland. India's net invisible earnings during the same year, amounted to Rs. 24.7 crores from transportation, including shipping and Rs. 4.3 crores from insurance.

Industrial Credit and Investment Corporation: Shri T. T. Krishnamachari, Minister of Finance, in a written reply to a question in the Lok Sabha, said that during 1955 the Industrial Credit and Investment Corporation had underwritten Public Issues of Shares for a total sum of Rs. 1 crore and had made loans amounting to Rs. 10.25 lakhs. The industries assisted were the manufacture of paper, electrical equipment, fuel injection equipment, chemicals and equipment for the textile industry, the refining of sugar and metal ores and cotton spinning.

UNICEF Assistance to India: The UNICEF Executive Board has made further allocation of 227,700 dollars for assisting programmes in India. This brings the total contribution to India for 1956 to 1,741,706 dollars and from inception to date to approximately 15,134,600 dollars. The present allocation covers one new programme in connection with the Rehabilitation and Training project for the physically handicapped children in Bombay and additional aid to two existing programmes, namely the B.C.G. Programme and the Training Programme for Nurses, Mid-wives and Health Visitors. Of the total allocation, 11,000 dollars have been provided for the new programme, 204,000 dollars for the B.C.G. programme and 12,700 dollars for training programme of nurses etc.

GENERAL

Trial "People's Car" Makes Appearance: Production of a Japanese version of German Volkswagen has long been a serious problem yet to be solved by the Japanese auto manufacturers. Toyota Motor Company has at last made public the completion of their trial "People's Car" No. 1, which is reported to have the following features: (1) Overall length: 3.65 meters, Width: 1.42 metres, Height: 1.385 metres, Wheel base: 2.1 meters, and Weight: 600 kilograms. (2) Two-door car for four passengers. (3) Engine displacement: 698 c. c. with 25 HP. (4) Front-wheel drive with maximum speed of 80 kilometers per hour. The new trial car could be comparable with French Renault in its outer appearance. The engineers are quoted to have declared that in the sturdiness of body and the economical consumption of gasoline their car could compete with any other car in the world. Even though its price is not disclosed, conjectures are that it might have to be sold at about Yen 450,000. Such a price cannot be low enough to induce general Japanese of today to buy one. A second and a third trial car will, in all probability, be manufactured with a special attention drawn onto the lowering of the price, it is reliably predicted among the people concerned.

New Welfare Projects: In the last three months, between August 1956 and up to the end of November 1956, the Central Social Welfare Board has sanctioned 61 new Welfare Extension Projects in different States bringing the total number of these Projects up to November 5, to 379. The number of projects sanctioned State-wise is as follows: Ajmer-4, Andhra-21, Assam-17, Bihar-15, Bhopal-6, Bombay-33, Coorg-4, Delhi-6, Himachal Pradesh-5, Hyderabad-10, Jammu & Kashmir-6, Kutch-4, Madhya Bharat-10, Madhya Pradesh-28, Madras-27, Manipur-4, Mysore-17, Orissa-22, PEPSU-12, Pondicherry-3, Punjab-12, Rajasthan-13, Saurashtra-10, Travancore-Cochin-16, Tripura-3, Uttar Pradesh-46, Vindhya Pradesh-8 and West Bengal-17.

Project Report for Visakhapatnam Dry Dock: The Deputy Minister for Production Shri Satish Chandra revealed in the Lok Sabha recently that the project report for the construction of a dry dock at Visakhapatnam, prepared by Messrs. Rendel, Palmer and Tritton of the U.K. had been accepted and the firm had been finally appointed as consulting engineers for the project. The Deputy Minister said that the firm would be paid a lump sum fee of £40,000 and no separate fee would be payable to them for the preparation of the project report. The estimated expenditure for the construction of the dry dock was Rs. 2.15 crores and the dry dock was expected to be ready by December 1959.

NEWS IN BRIEF

INDIAN

There has been an increase of Rs. 112.12 crores in total foreign investment in India between 1948 and 1953.

The Indian Government railways lifted 114.05 million tons of goods in 1955-56—7.8 per cent more than in the previous year. Goods earnings during this period improved by Rs. 21.48 crores (or by 13.8 per cent) to Rs. 177.43 crores.

India manufactured 4,182 diesel commercial vehicles during the first half of 1956.

The total value of diamonds imported in India in 1955-56 was Rs. 13.09 lakhs as against Rs. 10.09 lakhs in 1954-55.

The production of Soda Ash in the country rose from 12,000 tons in 1946 to 77,270 tons in 1955.

Sums totalling Rs. 30,84,550 have been sanctioned by Government of India for road development works in Andhra, Madhya Pradesh, N.E.F.A., Sikkim, Tripura and Uttar Pradesh.

The Silver Refinery, that is being set up by the Government, is expected to be commissioned in service by about the end of 1957.

It is reported production of coal in a pilot quarry in the Korba Project in Madhya Pradesh is expected to begin early next year. As a result of the drilling so far carried out it is possible to plan for opening of three open cast mines and one underground mine.

It is proposed to set up a Development Council for the non-ferrous metals industry. The personnel of the Council and its functions have not yet been finalised.

Mr. Morarji Desai, Minister for Commerce and Consumer Industries and Heavy Industries, stated in the Lok Sabha recently that Government had decided to establish four Zonal Industrial Cells for studying the economic geography of each zone. The Cells would also assist in the collection of data and give technical advice and guidance.

The Minister for Heavy Industries, Shri Manubhai Shah, stated in the Lok Sabha recently that the National Industrial Development Corporation was going to put up a newsprint factory at Shakarnagar (Hyderabad) up to an annual capacity of 30,000 tons. Further steps were being taken to create additional capacity to meet the country's requirements of newsprint.

FOREIGN

The Government of Nepal has decided to open eight rural banks with a total capital of Rs. 47 lakhs during the current year to help agriculturists. This is part of the Government's first rural credit scheme which will be expanded later.

During the year ended March 1956, Iran received an income of £35 million from exports of oil. Total production during the period reached 17 million tons, of which 7.4 million tons were refined at Abadan.

An agreement has been signed between Ceylon and Germany, according to which the latter will provide Ceylon technical and other aids, as envisaged in the Commercial Agreement entered into by the countries two years ago.

Purchases of Canadian securities by U.K. sources fell slightly in September from the July and August levels but remained far higher than normal.

Under a German-Polish trade and payments agreement conducted recently for the 18 months period ending December 31, 1957, Germany is to supply at least 300,000 tons of wheat and rye to Poland.

The Singapore Government is to ask the Assembly for permission to liquidate \$M 100 million, the Special Reserve Fund which is invested in British securities. The fund was set up in 1953 to cushion the colony's finances against a drop in revenue.

Imports into Cyprus during the first nine months of this year were valued at £28.6 million compared with £21.7 million in the same period of last year.

The Israeli Parliamentary Finance Committee has recommended the issue of a new 'Security Loan' valued at between I£ 40 million and I£ 50 million.

A Dutch plastics concern, Scado, at Zwolle, has entered into close co-operation with Archer-Daniels-Midland, seed and oil millers, of Minneapolis. The two concerns plan to operate a joint factory in Holland for the manufacture of synthetic resins.

U.K. steel output in October was a record for the month, reaching an annual rate of 21.79 million tons.

German foreign trade reached a new peak in October. Exports amounting to £245 million were 23.7 per cent higher than in October, 1955, and imports of £223.8 million were up by 19.6 per cent.

A recent authoritative survey reveals that world jute production of 1956 will be 4.7 billion pounds. This represents a small gain over 4.5 billion pounds produced last year.

For the first five months of 1956, Brazil's foreign trade produced a favourable balance of US \$119,000,000. The excess of exports over imports in the month of May almost equalled the total favourable balance for the first four months of the year.



TURNING A NEW ROLL

We have turned a new roll; and it has cost us three and a half crores of rupees.

To what purpose, pray?

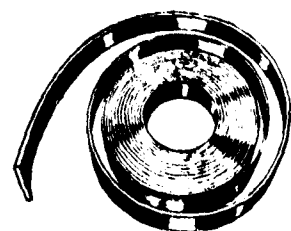
At the end of the rolling, we get coils of flat, steel strip—skelp, as the steel man calls it. The skelp is passed on to the Indian Tube Company, which welds it into tubes.

So what?

Merely that steel tubes pipe up water from deep inside the earth to parched fields, helping to grow a rich harvest. In the cities, countless homes receive a protected supply of water through these pipes.

Soon, a new plant will turn out the kind of steel tubes that go into the making of bicycles. Remember also that the locomotive speeding along the track is kept going by steel tubes which hold the steam.

Tata Steel's new Skelp Mill, the first of its kind in India, has a capacity of 200,000 tons. When there is enough steel, this mill will roll all the skelp and strip the country needs.



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WHEREVER INDIAN ALUMINIUM COMPANY has extended its production operations—from Bengal to Travancore, from Travancore to Bihar, from Bihar to Bombay—it has continuously sought to provide a better life for all its employees, and for its customers everywhere, in the shape of better products for a variety of new applications.

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**Indian Aluminium
Company Limited**

A Canadian-Indian Enterprise

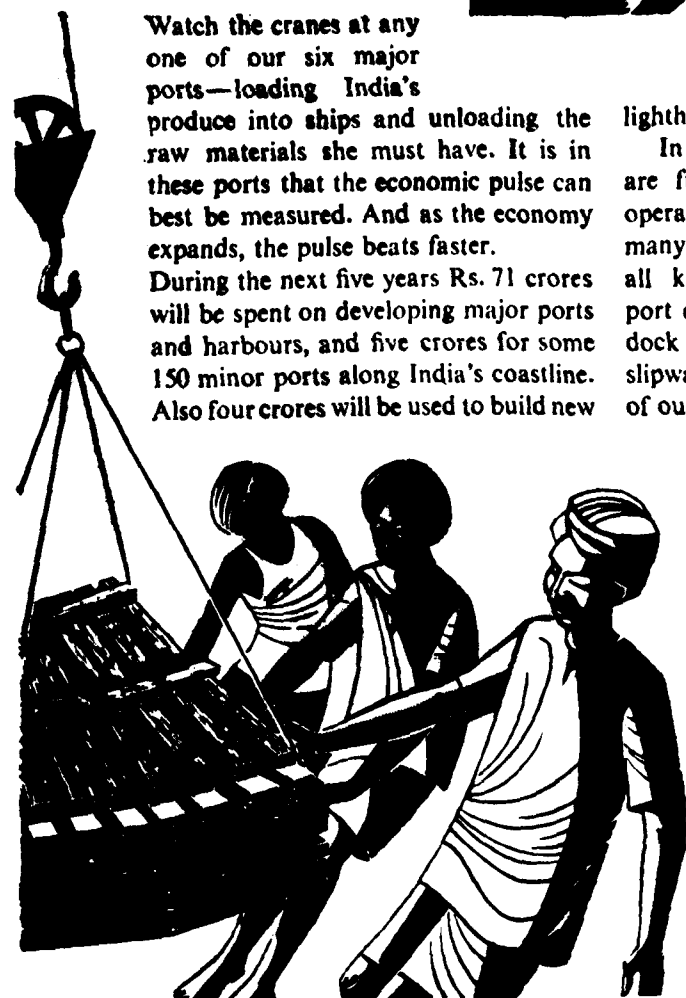


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lighthouses and modernize existing ones. In most of India's big ports, ships are fuelled by the Bunkering Service operated by Burmah-Shell. We supply many special lubricants for vessels of all kinds; diesel oil and petrol for port equipment; bitumen for surfacing dock roads and roofs; and grease for slipways...in fact we are rather proud of our part in India's nautical life.

BURMAH-SHELL
...IN INDIA'S LIFE
AND PART OF IT



The Business World FROM DICTATION TO CO-OPERATION

By
(CROESUS)

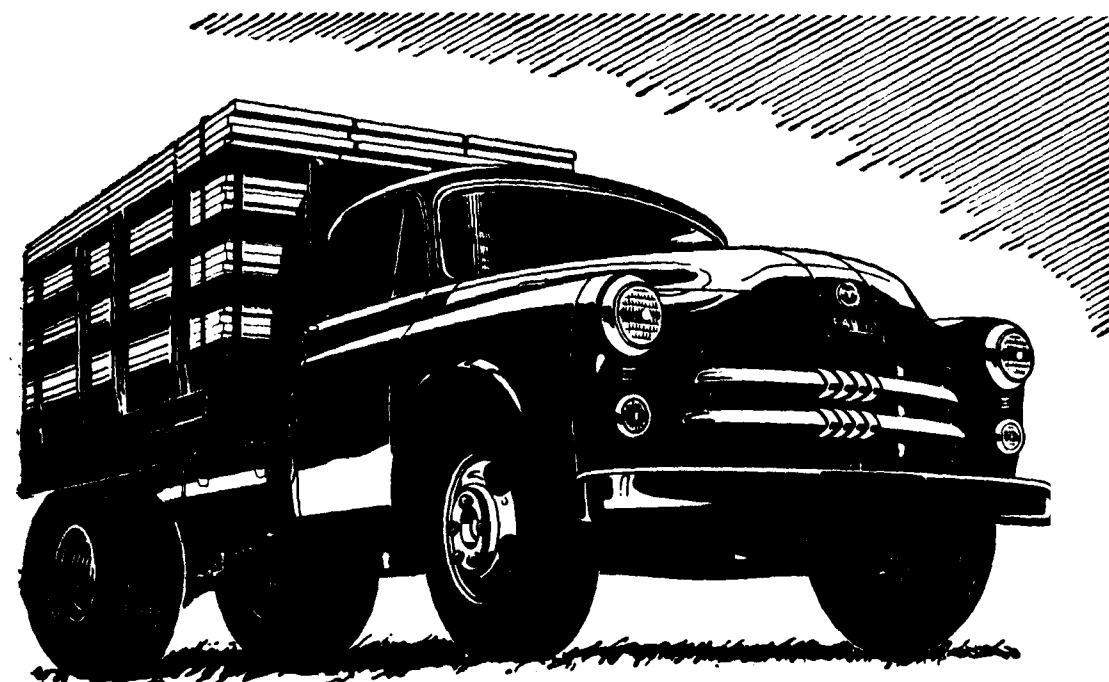
FROM the address of Mr. D. P. Karmarkar, the Union Minister for Trade, to the Export Advisory Council meeting held in Delhi recently, I thought that after all the recent public agitation against the State Trading Corporation (STC), present and proposed, the Government had at last become wise and would not seek further to extend the tentacles of the STC. As a matter of fact, Mr. Karmarkar stated, 'inter alia': "the STC is doing its best to promote certain developmental exports, especially to some of our new trading partners. Some bigish contracts for the sale of shoes and of handicrafts to the Soviet Union have been included recently, and the sale of woollen piecegoods is under negotiation. The Corporation is striving to increase India's exports to countries with controlled economies so that it may be possible for us to import from them steel, cement, and industrial equipment without straining our sterling reserves". He also spoke of the failure, on the part of some, to appreciate the efforts of the Corporation and the "growing evidence of co-operation between the established trade and the Corporation in their joint endeavour to earn more foreign exchange for the country". All this, in effect, means that the Government is content, by and large, to restrict the activities of the STC to trade deals with the Iron Curtain countries, although it is still a matter of some concern that no item is too sacrosanct for the STC to trade in. Nevertheless, it is significant that there has been a distinct reorientation in the official attitude from one of unqualified dictation to accommodating co-operation.

Despite this refreshing turn in the state of affairs in so far as the activities of the STC are concerned, one yet occasionally comes across suggestions, if not efforts, that some commodity or other might be turned over to the STC. Obviously one need not take exception to this, but, invariably, these suggestions are accompanied by unwarranted allegations about those already handling the trade in a given commodity. An already handling the trade in a given commodity. It is still not instance to the point is that of coffee. It is still not known whether the Plantation Enquiry Committee on Coffee, which is believed to have already submitted its findings to the Government, has made any recommendation to the Government suggesting that coffee exports be entrusted to the STC or to any other statutory commodity board. But this has not prevented the Chairman of the Coffee Board, Mr. K. Srinivasan, from hinting at the desirability of "straight trading" by the Coffee Board with some foreign countries. His ambitions were quite modest, in that he did not want the existing channels of private trade to go. All that he wanted was that the Board also should endeavour to sell a part of the export surplus of coffee to particular countries and build up more markets for Indian coffee.

Absolutely unexceptionable as this apparently innocent suggestion may appear to be, it is but the introduction of the thin end of the wedge. This apart, it is rather mischievous in the sense that the arguments put forward for paving the way for the Coffee Board to enter the export market even in a limited way are hardly sustainable. Thus, among others, these arguments are that the existing practice of selling large quantities of coffee, all at a limited interval of time, does not always ensure the best price, that the coffee that would be available for exports is likely to increase appreciably and that, therefore, those who are already in the coffee export trade may not be able to undertake the additional exports, and also that these exporters cannot be expected to be as interested as one would wish in always maintaining existing markets and exploring new ones. It is amazing how a person of the calibre of Mr. Srinivasan could have seriously thought

of adducing such arguments to make out a case for a share in the export trade for his Coffee Board. Surely, it could not have just dawned upon him all of a sudden that coffee, like almost all agricultural commodities in this country, comes on the market in great bulk in one part of the year and is invariably also disposed of when fresh. It is to meet such a situation that we have forward markets, warehousing and storage facilities, etc. Mr. Srinivasan himself has suggested the urgency of having a warehouse in the coast to prevent avoidable transfer of stocks from the coastal region to the interior and back again. These facilities are being made available to one commodity after another and coffee too will have its turn. Again, one is not quite so sure that, despite the steadily increasing production of coffee, appreciably more coffee could be made available for export, unless, of course, as the Union Minister for Trade observed at the Export Advisory Council meeting on Nov. 18, people are prepared to tighten their belts at least in the short run. In practice, the coffee-drinking habit in the country has also been growing, thanks to our ever-so-popular Coffee Houses dotted all over the country almost, and, after this, it is just too hard on the coffee addicts to ask them to desert their new love. Statistical evidence also seems to go against Mr. Srinivasan's assumption, for I remember it reported in the daily Press that internal consumption of coffee in 1956-57 would be as much as 24,775 tons while the coffee available for export would be a little below 8,000. As against this, the trade is known to have already handled in the past—in 1954 to be precise—as much as 9,500 tons. But assuming that the 1956-57 coffee crop would be a bumper crop, that there would be belt-tightening by coffee addicts in the country and that there would remain a large exportable surplus, it would not be more than, say, fifty per cent of the figure of internal consumption. And to suggest even indirectly that this might be beyond the capacity of the private exporters is, to say the least, insulting to them. Again, one is surprised to read that established exporters cannot be expected to be interested in nursing their markets and exploring new outlets. This is to say that these interests do not know which side of their bread is buttered. If it was on the score of quality of exports, there might be—although even this is doubtful in so far as coffee goes—some justification, but Mr. Srinivasan does not seem to have suggested this.

Apart from the justification or otherwise of making over a portion of the private sector's existing export trade in coffee to either the Coffee Board or the STC, I submit, there is another vital consideration that the authorities would have to bear in mind before throwing a spanner into this smooth-working machine. They must not be merely content to feed the Frankenstein of their making—the STC, but also look to the consequential displacement of those engaged in the existing channels of export. If it is accepted as a sound argument that, when protection is given to a new industry, it must be made a condition on the promoters of that industry to engage the services of the importers of the product affected as distributors of the products of the new industry, it is equally reasonable to insist that, whenever the STC or its official accredited agent, be it the Coffee Board or some other Commodity Board, takes over the export trade in any line, it should guarantee employment to those displaced by its entry into that trade. Not until this is assured can the STC claim that it is also a normal channel of trade. Moreover, when the second Five-Year Plan has categorically held out the promise of providing more employment, would the authorities be right to adopt a course of action that deprives many of even their existing employment?

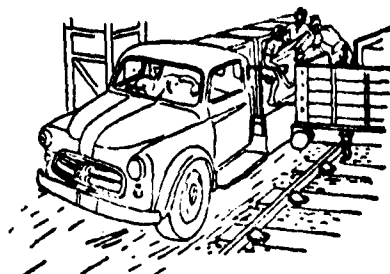


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SISTA'S PAL 225

BUSINESS NOTES

DECISION ON COTTON EXPORTS

THE GOVERNMENT'S decision not to announce the release of raw cotton export quotas at the present stage, though it was unexpected, is to be welcomed as the correct policy to follow. The trade has been disappointed by this surprise move and it is said that as against the anticipated quota of 1.5 lakh bales it had entered into contracts with overseas buyers to the extent of 1 lakh bales. The trade contends that this action of the Government was uncalled for in view of the fact that prices for futures were now ranging lower as compared to the levels ruling when forward trading was resumed in June last. That the quotations for futures should drop and the premia on ready cotton should also decline in the wake of the announcement was inevitable. Government's decision seems to have been influenced rather by the behaviour of prices for ready cotton.

Mr. Morarji Desai left no one in doubt as to the order of preference which the Government would adopt. At the Export Advisory Council's meeting he made it quite explicit that, where internal prices showed a trend to rise, exports of those commodities would be checked. Lower raw cotton prices now can be depended upon to deflate cotton textile prices and this trend may be extended with comparative ease elsewhere. Since anti-inflationary imports have a small margin left in the context of the heavy draft of developmental imports for industry, inflationary pressures within the country will need strong measures. It is in this light that the curb on cotton export has become essential.

INTER-STATE SALES TAX

THE CENTRAL SALES TAX BILL introduced in the Lok Sabha by the Finance Minister last week has naturally aroused considerable interest as it was long over-due. The demand for Central administration of inter-sales tax has been consistently pressed following protracted litigation over the interpretation of Article 238 so that there can be a certain amount of certainty of what the law means. Inter-State sale is a ubiquitous feature that can hardly be avoided by any section of the trading community and it is easy to see the anxiety of everyone concerned that the issues involved should be settled without leaving any room for ambiguity. Consequent on the amendment of the Constitution, by the Constitution (Sixth Amendment) Act, 1956, taxes on sales or purchases of goods in the course of inter-State trade or commerce were brought expressly within the purview of the legislative jurisdiction of Parliament.

The present Bill provides for the levy, collection and distribution of taxes on sales of goods in the course of inter-State trade or commerce. It also seeks to declare certain goods to be of special importance in inter-State trade or commerce and specifies the restrictions and conditions to which State laws imposing taxes on these goods shall be subject. The fundamental feature of the Bill is the power given to the Central Government to levy a tax on inter-State sales, but it shall authorise the State Governments to impose on its behalf a tax on such sales. For this purpose, the States are authorised to prescribe the same system of registration, assessment, etc., as prevails in the States concerned under their own sales tax system. The Bill also formulates principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce or outside a State or in the course of import into or export from India. Among the articles that are declared to be of special importance to inter-State trade are coal, including coke in all its forms, State trade are coal, hides and skins, iron and steel, jutes and oil cotton, hides and skins, iron and steel, jutes and oil cotton, hides and skins, iron and steel, jutes and oil cotton. It has been provided that the tax payable inside a State on these goods should not exceed 2 per

cent of the sale price and be levied at only one stage. The Bill on the whole is a salutary measure of reform which will bring about by centralisation a certain uniformity in regard to rate, collection and administration of inter-sales tax. Its working after its passage in Parliament, is bound to be watched with a good deal of interest.

FRESH FIELDS FOR MILL INDUSTRY

IT WOULD appear that the Government of Burma is seriously considering whether she should not approach the textile interests in this country for financial and technical help. The Deputy Prime Minister of Burma, who was in Bombay recently in connection with the Asian Socialist Conference, is credited with having disclosed the intention of his Government to explore ways and means whereby Burma could get assistance from India in this behalf.

There are only two mills now working in Burma with an aggregate capacity of 30,000 spindles and 400 looms, which produce mostly coarse goods. Burma's annual requirements of cotton piecegoods and yarn (judged by her imports) are of the order of 100 million yds. and 15 million lbs., respectively, the two together being valued at around Rs. 20 crores. In order to become self-sufficient, Burma has perforce to seek the help of other countries. Already, she is reported to have concluded an agreement with Japan, whereby Burma would afford facilities to Japan to put up two fine count mills, and the investment involved is to be at the rate of \$5 million per year over the next ten years.

It is with regard to the production of medium goods presumably that the Government of Burma desires to approach Indian textile industrialists for technical and financial help. In fact, according to the Deputy Prime Minister of Burma, his Government is prepared to offer three different alternatives to Indian industrialists: they could provide the major share or the entire capital and the needed technical and managerial assistance; or they could retain a modest share in capital but supply all technical assistance; or they need not invest capital at all, but must give managerial advice and technical assistance. It is clear from this that the Government of Burma is all out to extend help and facilities to enterprising Indian industrialists who would care to help Burma achieve self-sufficiency in her cotton textile requirements.

When the textile industry in this country has to contend with a highly whimsical textile policy at the hands of its own home Government, and when there is, on top of this, the threat of the encroachment of the State Trading Corporation that the industry always faces, it is perhaps reasonable to assume that some at least of the leading textile houses in this country would accept the offer of the Government of Burma. When pressed for information on the type of assistance that they could expect from the Government of Burma, the Burmese Deputy Minister is reported to have assured that the Government of Burma was not only prepared to give a suitable guarantee for the repatriation of profits and/or capital and for double income taxation relief, but also to allay the fears of Indian textile interests by undertaking that his Government would not nationalise the textile industry in Burma.

JOINT ENDEAVOUR

IN A refreshingly lucid address delivered at the annual meeting of the Killick Industries Ltd., the Chairman, Mr. E. D. Shepperd, has drawn pointed attention to one or two aspects of India's economy that merit closer study. He finds that it is rather intriguing that people who are so vociferous in condemning any onslaughts on their political and social rights should take a "different stand" when it

comes to the question of economic freedom with the result that controls over such things as production, profits and prices are accepted without murmur. "This is an inconsistency", he says, "which could lead to a frustration of the national economy". Analysing the concepts of "private" and "public" sectors he has cogently argued that there is really nothing 'private' about the finances and accounts of the major industrial units existing within the so-called 'private sector', and suggests that if there is any need to differentiate between the activities which are State-controlled and State-regulated and which operate through the initiative of individuals, the proper description would be to call the private sector as the 'people's sector' and the public sector as the 'state sector'. A joint stock company, in reality, he holds, is nothing but a co-operative society in the fullest sense of the term as "its capital is created by co-operative faith in its venture, its direction is provided by those who reflect in their persons co-operative choice, its factories are worked by co-operative endeavour and finally its products are sold only if there is co-operation from the consuming public".

On the question of 'classless society' so much in vogue today, the Chairman has rightly pointed out that any deliberate attempt to abolish a class by taxation or any other legislative means will never succeed in abolishing "class." On the other hand, it would only result in the creation of an official bureaucratic aristocracy as seen in the case of Russia and other Communist countries. "The way", he says, "to satisfy the people is not to cut down to a common size everyone else's choice....The right way is to create incentives that lead to an increase in the total national product and thereby level upwards and not downwards". While much solicitude has been shown for the welfare of the industrial and agricultural classes, the middle class has been sadly neglected, he says and rightly holds that unless the process of deterioration in its standard of life is arrested "an irreplaceable component of the industrial and commercial structure of the country will be dangerously weakened and no amount of planning or legislation will be able to replace it or revive it". It is for the powers that be to pay heed to these warnings and arrest the trends that will lead to anything but the desired objectives. The keynote must be joint endeavour and not any isolation or exclusion of a particular segment of society based on doctrinaire considerations.

HINDUSTAN LEVER ISSUE

WITH THE amalgamation of Lever Bros. (India) Ltd. with its subsidiaries, the company was converted into a public company on October 27, 1956, and it changed its name to Hindustan Lever Limited on November 1. Now in keeping with the trend for closer collaboration by joint participation of Indian and non-Indian capital in enterprises, Hindustan Lever is offering part of its capital to Indian subscribers. This offer represents a landmark in the history of Unilever enterprises in India.

It may be pointed out that Unilever is the beneficial owner of the whole of the issued capital of Rs. 5.57 crores of Hindustan Lever of which Rs. 55.7 lakhs comprising 5,57,000 ordinary shares of Rs. 10 each are issued to the Indian public at a premium of Rs. 6-8 per share. A maximum of 55,700 (10 per cent) of the 5,57,000 shares has been reserved for offer in the first instance to the employees of the Hindustan Lever Limited at the above price payable in full on application for 25 or 50 shares each. Applications from the public must be for 50 shares or a multiple thereof.

Levers' participation in the manufacture of soaps in India goes back to 1922, when they acquired a major interest in their present Calcutta soap factory. Since then their interests have widened, and Lever products now serve a variety of consumer needs and include de-

tergents, toilet preparations, glycerine, vanaspati, margarine, edible oils and oilcake. Dividend rates have been conspicuously high in recent years.

US COTTON IMPORTS: POLICY ANNOUNCED

THE GOVERNMENT OF INDIA has at last decided to issue licences for the import of US cotton of stapling 1-1 16" and above of the order of 150,000 bales. This is the first tangible step, in respect of cotton, that has been taken by the authorities, following the Indo-US Trade Agreement, concluded towards the end of September last. Ever since the signing of this agreement, the cotton trade has been anxiously awaiting the procedural details of cotton imports from America. The demand for an early announcement of the actual policy in respect of the import of US cotton under Public Law 480 became more keen, especially since the emergence of a bearish trend in American cotton prices from the beginning of October. Another reason for this anxiety was that importers and mills were unable to make any use of the Indo-Burma-US Tripartite Agreement for purposes of their cotton requirements. There were far too many unworkable provisions in the Agreement, such as the export of a fixed quantum of textile exports to Burma, before qualifying oneself for the import of US cotton through Burma, which discouraged importers from making serious attempts in that direction.

Now that the Government has announced the procedural details of US cotton imports, it may be expected that there will be—subject to unforeseen contingencies—a fairly smooth flow of American cotton into this country. The cotton trade has noted with satisfaction that the imports would be only through normal trade channels and that the 'status quo' has been retained in respect of Bank Guarantee. There is also general relief that the import of US cotton is not to be in any way linked to that of East African cotton, as was apprehended earlier.

The last date for contracting is 29th June, 1957, while the shipment period is between 7th November, 1956 and 31st July, 1957. It is relevant to point out here that such of the contracts as had been entered into before 7th November, 1956, in anticipation of this very announcement, do not come under this scheme. Whatever the moral justification, this is a blow at least to some importers and mills who were lucky—or is it plucky?—to have transacted business with America for the import of as much as 25,000 to 30,000 bales of cotton at considerably lower prices than are ruling presently. For these (mills and importers) will have to obtain licences all afresh now and book new business, which can definitely not be at the previous attractive levels.

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THE Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway,
NEW DELHI.

A copy of this Offer for Sale, having attached to it the documents required by Section 60 of the Companies Act, 1956, and specified below, has been delivered for registration to the Registrar of Companies, Bombay.

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

The Application List for the ordinary shares now offered for sale (including the shares preferentially offered to the employees of Hindustan Lever Limited as mentioned below) will open at 10-30 a.m. on the 3rd day of December, 1956, and will close at 3 p.m. on the 5th day of December, 1956, or later, at the discretion of the Offeror.

HINDUSTAN LEVER LIMITED

(FORMERLY LEVER BROTHERS (INDIA) PRIVATE LIMITED)
(Incorporated on 17th October, 1933, under The Indian Companies Act, 1913)

SHARE CAPITAL

Authorised:	Issued and fully paid:
Rs. 5,57,00,000 in 55,70,000 Ordinary Shares of Rs. 10 each	Rs. 5,57,00,000

Unilever Limited, London (sometimes referred to in this Offer for Sale also as "the Offeror") is the beneficial owner of the whole of the issued capital of the Company which, with the exception of seven shares, is registered in their name.

LOAN CAPITAL

The Company has created no mortgage or debentures and has no other loan capital.

The Company has bank overdraft facilities secured by guarantee by Unilever Limited or by hypothecation of stock in trade, but on 31st October, 1956, no amount was outstanding. The Company has a current account with Unilever Limited and from time to time is indebted for goods and services supplied in the normal course of the Company's business. On 31st October, 1956, this account showed an amount due by the Company to Unilever Limited of Rs. 21,19,922.

OFFER FOR SALE of

5,57,000 ORDINARY SHARES OF Rs. 10 each fully paid

at Rs. 16-8-0 per share (including a premium of Rs. 6-8-0) payable in full on application.
Unilever Limited invite applications for the purchase from them of the above shares.

In addition to paying the purchase price to Unilever Limited the purchaser (or transferee) will have to bear the stamp duty on the transfer of the shares from Unilever Limited.

Applications must be made on the official form and in the case of applications from the public must be forwarded to the brokers to the Offer named below or to any of the branches of the National Bank of India Limited at the addresses stated on the application form.

It is intended to reserve a maximum of 55,700 (i.e. 10%) of the above 5,57,000 shares for offer in the first instance to the employees of Hindustan Lever Limited at the above price of Rs. 16-8-0 per share (including a premium of Rs. 6-8-0) payable in full on application. Applications from employees for these shares must be made on BLUE application forms and must be for 25 or 50 shares only.

Applications for the shares offered for sale to the public must be made on WHITE application forms and must be for 50 shares or a multiple thereof.

Any of the shares reserved for the employees of Hindustan Lever Limited which are not purchased by them will be available to meet applications from the public.

The shares offered for sale will rank for any dividends which may hereafter be declared.

DIRECTORS

ANDREW JOHN CHANDOS HOSKYN-ABRAHALL, Gold Croft, Bhulabhai Desai Road, Bombay, Company Director (Chairman).

STEPHEN HENRY TURNER, Everest House, Carmic hael Road, Bombay, Technical Director (Vice-Chairman)

KALYAN SUNDAR BASU, Revills, Cuffe Parade, Bombay, Personnel Director.

KANIANTHRA THOMAS CHANDY, 10-A, Mount Mary Road, Bandra, Bombay, Company Director (Secretary)

DAVID ALEXANDER THOMAS ORR, Javeri Mansions, Little Gibs Road, Bombay, Marketing Director (Soaps).

PRAKASH LAL TANDON, Dakshin Pali, D'Monte Park, Bandra, Bombay, Co-ordinating Director.

REGINALD JAMES WHEELER, Kamani House, Pedder Road, Bombay, Financial Director.

MAURICE ZINKIN, Revills, Cuffe Parade, Bombay, Marketing Director (Foods).

BANKERS

Bankers to the Company

STATE BANK OF INDIA
NATIONAL BANK OF INDIA LIMITED

Apollo Street, Bombay.
Mahatma Gandhi Road, Bombay.

Bankers to the Offer

NATIONAL BANK OF INDIA LIMITED Mahatma Gandhi Road, Bombay.

SOLICITORS**To the Company and the Offer**

CRAWFORD BAYLEY & COMPANY, State Bank Buildings, Bank Street, Bombay.

AUDITORS

A. F. FERGUSON & COMPANY, Chartered Accountants, Allahabad Bank Building, Apollo Street, Bombay.

BROKERS TO THE OFFER**Managing Brokers**BATLIVALA & KARANI
Union Bank Building,
Dalal Street, Bombay 1.PREMCHAND ROYCHAND & SONS
63, Apollo Street,
Bombay 1.**Calcutta Brokers**

6, Lyons Range, Calcutta.

Madras Brokers

Oriental Buildings, Armenian Street, Madras.

Registered Office

Scindia House, Dougall Road, Ballard Estate, Bombay.

HISTORY

The Company was incorporated in India as a private company on 17th October, 1933, under The Indian Companies Act, 1913, with the name **Lever Brothers (India) Limited**. Shortly after incorporation the Company took over the Lever soap business established in India in the nineteenth century by Lever Brothers of Port Sunlight, Cheshire, since when the Company has carried on business continuously.

On 8th October, 1956, but with effect from the close of business on 31st December, 1955, by virtue of Orders of the Bombay High Court the Company was amalgamated under Section 391 and 394 of the Companies Act, 1956, with the undernoted Companies whose assets thereby vested in the Company subject to their liabilities, duties and covenants:—

(1) THE HINDUSTAN VANASPATI MANUFACTURING COMPANY PRIVATE LIMITED

(Sometimes referred to in this Offer for Sale also as "HVM")

(1) WILLIAM GOSSAGE & SONS (INDIA) PRIVATE LIMITED**(3) JOSEPH CROSFIELD & SONS (INDIA) PRIVATE LIMITED**

These companies (hereinafter collectively referred to as "the merged companies") have now ceased to exist. Previously they were closely associated with the Company all being wholly owned subsidiaries of Unilever Limited. Since the amalgamation the Company has been carrying on the combined business comprising the manufacture and sale of soaps, detergents, toilet preparations and glycerine, together with vanaspati, margarine, edible oils and oil cake, formerly products of HVM which since 1932 has been the largest producer of its kind in India.

Following the amalgamation, the Company was converted to a public company on 27th October, 1956 and changed its name to Hindustan Lever Limited on 1st November, 1956.

BUSINESS

The Company's main aim has always been to sell good quality products at fair prices. Its products now include SUNLIGHT and LIFEBOUY soaps, LUX toilet soap, LUX soap flakes, RINSO soap powder, VIM scouring powder, DALDA and LOTUS brands of vanaspati, BLUE BAND and other margarines, and MARVO cooking medium. The rights in India to all the trade marks applied to these products are the property of the Company. The Company has arrangements with companies of the Unilever Group outside India by which it manufactures and sell their products in India for its own account; these products include PEARS transparent soap and talcum powder, REXONA, toilet soap, BREEZE toilet soap, ERASMIC shaving stick, and shaving cup soap, HIMALAYA BOUQUET toilet and talcum powder, PEPSODENT and GIBBS S.R. toothpastes and GIBBS dentifrice, CALIFORNIAN POPPY hair oil and ERASMIC coconut hair oil. The Company also produces industrial and B.P. quality glycerine which it sells under its trade mark PYRAMID and WHEEL. The Company also sells the soapless detergent powder SURF; supplies of this product are at present imported from the United Kingdom, but local manufacture is planned.

The Company's products are distributed throughout India. The Company's sales offices in Bombay, Calcutta, Delhi and Madras and its depots at Gauhati, Cochin and Bangalore deal directly with over 13,000 wholesalers and stockists in over 3,000 towns. The Company's 375 salesmen are in touch with about 2,00,000 shops that deal in the Company's products.

As a member of the Unilever Group, the Company has access to Unilever's international knowledge and experience of the manufacture and marketing of detergents, edible fats and toilet preparations. To a great extent because of its membership of the Group, the Company has made a valuable contribution to the development of the soap and vanaspati industries in India and continues to do so.

The basic raw material of the Company's soap and vanaspati manufacturing business is vegetable oil. The quantities (to the nearest thousand tons) of such oil processed by the Company and by HVM whose business is now amalgamated with the Company, during each of the five years ended 31st December, 1955, are given below; a predominant part — about 88% in 1955 — is purchased within India.

Year	1951	1952	1953	1954	1955
Tons	81,000	91,000	89,000	97,000	1,04,000

PERSONNEL

For many years the training of Indian employees for higher posts, whether technical or commercial, has been an important part of the Company's policy and selected personnel are sent overseas for special courses of instruction and for observation of advanced practices. More than 85% of the managerial staff are Indians.

In recent years during which relations between employers and workers in all industries have been subjected to many strains and stresses the Company has been loyally served by its workers and has on its part endeavoured to think and act progressively in all matters pertaining to wages, conditions of work, retirement provisions and welfare. The wages and salaries paid by the Company have been acknowledged on several occasions by Labour Tribunals as the highest in the Industry.

The number of people employed by the Company exceeds 6,000.

SUBSIDIARIES

The Company has four wholly owned subsidiaries. They are:—

United Traders Private Limited and Van den Berghs (India) Private Limited, neither of which are trading at present, and

Lever Associated Trust Private Limited and Levindra Trust Private Limited, both of which are trust companies managing the Provident Fund of the Company's employees.

FACTORIES

Situation and Address	Approximate Area Acres	Nature of Tenure	Main Products
Haji Bunder, Sewri, Bombay.	24.0	Leasehold	To 1983 with option for renewal to 2032
Garden Reach, Calcutta	3.4 9.0	Leasehold Freehold	To 2008
Athpur, Sharnagar, W. Bengal	15.2	Freehold	
Grand Trunk Road, Ghaziabad, U.P.	19.7	Freehold	
Edamalaipatti Pudur, Tiruchirappalli, S. India	39.5	Freehold	

The Factories are well situated for the purposes of securing regular supplies of raw materials and ensuring efficient distribution of manufactured products to all parts of the country. They are equipped with modern plant and machinery, adequately provided with railway sidings, water and power and are maintained in good working condition.

Negotiations have been completed for acquiring a lease from the Government of Bombay of a site of about 0.9 of an acre in the area known as Back Bay Reclamation on which the Company proposes to erect a Head Office building to house members of its staff at present dispersed over five buildings in Bombay City.

AUDITORS REPORT

The following is a copy of the Report received from the Company's Auditors, Messrs. A. F. Ferguson & Company:—

The Directors,
Unilever Limited,
Blackfriars,
London, E. C. 4, England.

Bombay, 12th November, 1956.

Gentlemen,

We have examined the audited accounts for the five years to 31st December, 1955, of Hindustan Lever Limited (formerly Lever Brothers (India) Private Limited) and those of its subsidiary companies at that date, all of which were wholly owned, namely:—

United Traders Private Limited
Lever Associated Trust Private Limited.
Levindra Trust Private Limited

and those of the following companies (hereinafter collectively referred to as "the merged companies"), whose assets and liabilities were on 8th October, 1956, transferred to Hindustan Lever Limited, namely:—

The Hindustan Vanaspati Manufacturing Company Private Limited
(hereinafter referred to as "HVM")
Joseph Crosfield & Sons (India) Private Limited
William Gossage & Sons (India) Private Limited.

We have also examined the audited accounts of Van den Berghs (India) Private Limited which was a wholly owned subsidiary of HVM but, which, on 8th October, 1956, on the abovementioned transfer of assets and liabilities, became a wholly owned subsidiary of Hindustan Lever Limited.

We have also examined the audited accounts of the following companies (hereinafter referred to as "the liquidated companies"), for the four years to 31st December, 1954 and the period to 27th July, 1955, namely:—

The North West Soap Company Private Limited
The Premier Soap Company of India Private Limited

which, as wholly owned subsidiaries of Hindustan Lever Limited, went into voluntary liquidation on 28th July, 1955, and held their final meetings in the liquidations on 23rd October, 1956.

Throughout the years under review we have acted as auditors of all the above companies.

No audited accounts of any of the above companies have been made up since 31st December, 1955.

1. PROFITS

We report that the combined profits of Hindustan Lever Limited, its subsidiary companies as at 31st December, 1955, and the liquidated companies, and the profits of each of the merged companies, (in the case of HVM, combined with those of its former subsidiary company) all arrived at on the basis set out below, were as follows:—

Year ended 31st December	Hindustan Lever Limited and its subsidiary companies	HVM and its subsidiary company	Joseph Cros- field & Sons (India) Pri- vate Limited	William Gos- sage & Sons (India) Pri- vate Limited	A G G R E G A T E		
	Profits before taxation				Profit before taxation	Taxation as defined in (ii) below	Profit after taxation
	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
1951	1,28,85,262	11,67,798	35,228	37,766	1,41,26,054	61,36,005	79,90,049
1952	1,80,39,423	4,52,080	36,087	39,961	1,85,67,551	80,65,280	1,05,02,271
1953	1,64,71,799	82,80,730	35,753	39,170	2,48,27,472	1,07,84,433	1,40,43,039
1954	1,71,65,259	(53,31,230) Loss	35,758	38,052	1,19,07,839	51,72,468	67,35,371
1955	1,90,86,815	57,34,820	36,569	39,509	2,48,97,713	1,08,14,944	1,40,82,769

(i) The profits shown in columns 2 to 6 inclusive have been arrived at after charging all expenses of working and management, interest, and depreciation and after making such adjustments as are in our opinion necessary. Depreciation has been charged throughout the five years on a consistent basis and, in aggregate, exceeds the total income-tax allowances exclusive of initial allowances and development rebates.

(ii) The taxation shown in column 7 has been calculated on the profits shown in column 6 at the rate of 6.95 as. in the rupee. This is the combined rate of income-tax and super-tax applicable to the profits of the companies for each of the years under review before taking into account the effect of dividend distributions out of such profits. In respect of 1955, the Finance Act, 1956, imposed on companies taxation additional to the basic rate of 6.95 as. to the extent that dividends declared during 1955 exceeded 6% of issued capital. On the basis of the Finance Act, 1956, and the present issued capital, the additional taxation payable by Hindustan Lever Limited in future years will be as follows:—

On the first Rs. 33,52,000 of dividends	Nil
On the next Rs. 22,28,000 of dividends	2 as. in the rupee
On the balance of dividends over Rs. 55,70,000	3 as. in the rupee

The aggregate actual taxation paid or calculated as payable by Hindustan Lever Limited, its subsidiaries and merged companies is as follows:—

Year ended 31st December	Rs.
1951	60,74,497
1952	75,94,460
1953	90,12,026
1954	80,44,480
1955	1,38,42,031

2. DIVIDENDS

The aggregate actual taxation paid or calculated as respect of the five years to 31st December, 1955, by Hindustan Lever Limited and the merged companies:—

The capital of each company consisted wholly of fully paid ordinary shares of Rs 10 each								
Year ended 31st December	Hindustan Lever Limited		HVM		Joseph Crosfield & Sons (India) Private Limited		William Gossage & Sons (India) Private Limited	
	Paid up Cap. Rs Lakhs	Rate %	Paid up Cap. Rs Lakhs	Rate %	Paid up Cap. Rs Lakhs	Rate %	Paid up Cap. Rs Lakhs	Rate %
1951	138	Nil	133	Nil	0.8	Nil	3.2	Nil
1952	200	Nil	133	Nil	0.8	Nil	3.2	Nil
1953	200	25	133	Nil	0.8	200	3.2	50
1954	200	55	133	30.075	0.8	Nil	3.2	Nil
1955	200	37.5	133	50	0.8	56.25	3.2	18.75

1. NET ASSETS

The net assets, based on the audited balance sheets as at 31st December, 1955, of Hindustan Lever Limited, its subsidiary companies at that date, each of the merged companies, and Van den Berghs (India) Private Limited at that date a subsidiary company of HVM, after making such adjustments as we consider necessary, were as follows:—

	Hindustan Lever Limited	The sub- sidiary companies of Hindu- stan Lever Limited	HVM	Van den Berghs (India) Private Limited, a subsidiary company of HVM	Joseph Crosfield & Sons (India) Private Limited	William Gossage & Sons (In- dia) Pri- vate Li- mited	A G G R E G A T E	
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Trade Marks & Goodwill	3,00,316			1,900	71,048	2,50,000		6,23,264
Fixed Assets								
At original cost plus increase on revaluation as at 1st January 1950 less depreciation to 31st December 1955	2,76,17,667		72,89,600					3,49,07,267
Current Assets								
Stocks and stores	2,25,85,023	27,46,880	1,20,28,888				3,73,60,791	
Debtors and advances	65,77,204	10,03,853	58,22,745				1,34,03,802	
Cash and bank balances	58,11,379		2,23,536				60,34,915	
	3,49,73,606	37,50,733	1,80,75,169				5,67,99,508	
Current Liabilities								
Creditors	(74,30,359)	(5,20,974)	(71,72,627)	(285)	(125)	(775)	(1,51,25,145)	
Taxation	(46,18,985)		(26,16,036)	(351)	(7,792)	(8,994)	(72,52,158)	
Bank overdrafts	(863)	(2,52,453)	(9,78,841)				(12,32,157)	
	(1,20,50,207)	(7,73,427)	(1,07,67,504)	(636)	(7,917)	(9,769)	(2,36,09,460)	
Net Current Assets	2,29,23,399	29,77,306	73,07,665	(636)	(7,917)	(9,769)	3,31,90,048	
Subsidiary and Associated Companies:								
Investments in subsidiary companies are represented by the net assets of—	Col. 2		Col. 4					
Intercompany indebtedness:								
Parent/subsidiaries	(5,89,297)	5,89,297	(591)	591				
Hindustan Lever Ltd./the merged companies	(99,49,826)		98,53,188		16,869	79,769		
Unilever Limited	91,15,396		*(48,18,432)					
	(14,23,727)	5,89,297	50,34,165	591	16,869	79,769	42,96,964	
Total Net Assets	4,94,17,655	35,66,603	1,96,31,430	1,855	80,000	3,20,000	7,39,17,543	

Figures in brackets represent liabilities.
This represents a net dividend declared on 22nd February 1956 in respect of 1955.

We are, gentlemen,
Yours faithfully,
A. F. FERGUSON & CO.
Chartered Accountants.

PROSPECTS

The consumption of products of the types manufactured by the Company is likely to increase as the standard of living is raised. The Company expects to win a fair share of any increased prosperity that may accrue to the industries concerned.

Assuming a continuance of present rates of taxation the Directors estimate that the consolidated net profit of the Company and its subsidiaries for the year ending 31st December, 1956, (after taking into account taxation of Rs. 108 lakhs of which Rs. 19½ lakhs is in respect of the capitalisation of Rs. 157 lakhs of profits on 11th October, 1956) will not be less than Rs. 90,00,000. On the 1st November, 1956, the Company paid an interim dividend of 8 annas per share absorbing Rs. 27,85,000. If the estimated net profit is realised and there is no substantial change in trading conditions the Directors would except to recommend that a final dividend for the year 1956 of 6 annas per share, free of income tax, be paid before the end of May, 1957.

For the future it is the intention of the Directors (in the absence of unforeseen circumstances) to recommend the distribution of a large part of the Company's profits by way of dividend. For example, if the estimated level of profit for 1956 is maintained and there is no substantial change in rates of taxation or trading conditions, the Directors would expect to recommend for the year ending 31st December, 1957 a total dividend of not less than Rs. 1-6-0 per share free of income-tax. On the sale of the shares now offered the Company will become a Company to which Section 23A of The Income Tax Act, 1922 applies.

As will be seen from the Auditors' Report one of the merged companies (HVM), the business of which is now carried on by the Company and is primarily concerned with the manufacture and sale of vanaspati, incurred a loss in 1954. In that year the price of Indian groundnut oil fell heavily. The profit of this particular business—as indeed of the Vanaspati Industry as a whole—are governed to a great extent by price fluctuations in the Indian groundnut oil market. These fluctuations in recent years have been very wide.

STATUTORY AND OTHER INFORMATION

The Offeror was the promoter of the Company but no sum was paid to the Offeror for its services as promoter.

During the two years preceding the date hereof the Company issued 20,00,000 Ordinary Shares of Rs. 10 each credited as fully paid to Unilever Limited in consideration of the vesting in the Company of the assets of the merged companies and it also issued during this period 15,70,000 Ordinary Shares of Rs. 10 each credited as fully paid to Unilever Limited by capitalising Rs. 1,57,00,000 of profits standing to the credit of general reserve.

No amount has been paid to the Company by way of premium on any shares within the two years preceding the date hereof.

Apart from the dividends referred to in the report of the auditors, the shares above referred to, the sum of Rs. 5,22,590 being remuneration paid to the directors and secretary of the Company and the sum of Rs. 2,84,43,747 being payments made to or to be made to Unilever Limited for goods and services in the ordinary course of the Company's business, no amount or benefit has been paid or given within the two years preceding the date hereof to the promoter or any officer of the Company. It is not intended that the Company should pay or give to the promoter any amount or benefit other than such amounts as may become payable to the promoter in the ordinary course of the Company's business. It is not intended to pay or give any amount or benefit to any officer of the Company other than normal remuneration.

Except as beneficial owner of the whole of the Company's issued share capital and as a creditor of the Company from time to time in the normal course of the Company's business, the Offeror has no interest in the profits or property of the Company. The other members of the Company have no beneficial interest in the profits or property of the Company.

Since incorporation the Company has capitalised profits standing to the credit of general reserve (including the Rs. 1,57,00,000 referred to above) as follows: 20th March, 1937, Rupees Six Lakhs; 29th December, 1937, Rupees Eleven Lakhs; 22nd July, 1939, Rupees Three Lakhs; 20th August, 1940, Rupees Two Lakhs; 17th November, 1942, Rupees One Lakh; 6th September, 1943, Rupees Six Lakhs; 19th February, 1945, Rupees Thirteen Lakhs; 7th September, 1945, Rupees Twelve Lakhs; 24th December, 1946, Rupees Six Lakhs; 31st December, 1951, Rupees Fifty Lakhs; 22nd August, 1952, Rupees Sixty-two Lakhs; 11th October, 1956, Rupees One Hundred and Fifty Seven Lakhs. The Company applied the amounts capitalised in paying up in full ordinary shares of the Company of Rs. 10 each of a nominal amount equal to the profits capitalised. All the shares were allotted to the Offeror or its nominee, or subsidiaries of the Offeror incorporated in the United Kingdom or their nominees.

The Company has not issued any redeemable preference shares and does not at the present time intend to do so.

The premium receivable on the shares now offered for sale will be retained by the Offeror. No part of the proceeds of this Offer for Sale is receivable by the Company. The Offeror will pay all the expenses in connection with this Offer for Sale except the stamp duty on the transfers from the Offeror to the persons in whose names the shares are registered which will be payable by those persons. The Offeror will also pay brokerage as indicated below. The total expenses, including brokerage, payable by the Offeror are estimated to be Rs. 3,50,000.

No commission (except brokerage as hereinafter mentioned) was paid during two years preceding the date hereof or is payable to any person in consideration of his subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for shares in the Company.

All the directors are whole-time directors and are not required to hold any qualification shares.

No director had any interest in the promotion of the Company and neither the promoter nor any director has any interest in any property acquired by the Company within the two years preceding the date hereof or proposed to be acquired by it other than the promoter's interest as a member of the Company and beneficial owner of the whole of its share capital.

No sums have been paid or agreed to be paid to any director in cash or shares or otherwise by any person to induce him to become or to qualify him as a director or otherwise or for any other purpose whatsoever for services rendered by him in connection with the promotion of or formation of the Company.

Mr. A. J. C. Hoskyns-Abraham is the beneficial owner of £200 Unilever Limited 8% Cumulative 'A' Preference Stock.

The Articles of Association of the Company contain provisions to the following effect:—

- (a) The profits of the Company which shall from time to time be determined to be divided shall be divisible among the members in proportion to the capital paid up on the shares held by them respectively.
- (b) Unless otherwise determined by a general meeting the number of directors shall not be less than three and not more than eleven.
- (c) The directors including the Managing Director, if any, shall be paid out of the funds of the Company by way of remuneration for their services such sums as the Company in general meeting

may from time to time determine, and such remuneration shall be divided among them in such proportions and manner as the Directors may determine, and, in default of such determination within the year, by the Chairman. If any Director shall be called upon to perform extra services or make special exertions or efforts the Board may arrange with such Director for such special remuneration for such extra services or special exertions or efforts either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his normal remuneration. A Director who is not a resident of Bombay City may be paid such sum as the Board may consider fair compensation for travelling, boarding, lodging and other expenses incurred in attending meetings of the Board in that City. If any Director is called upon to go or reside out of Bombay City on the Company's business, he shall be entitled to be repaid any travelling or other expenses incurred by him in connection with the business of the Company.

- (d) Save as required by the Companies Act, 1956, no restrictions are imposed by the Articles of Association on the Directors' powers of management and the control of the Company's affairs is vested by the Articles of Association in the Directors.
- (e) Subject to the provisions of the Company's Act, 1956, the Board may appoint from time to time any one of its member as Managing Director of the Company for a fixed term not exceeding five years at a time upon such conditions as it thinks fit and may vest in such Managing Director such of its powers as it thinks fit and such powers may be made exercisable for such period or periods, and upon such conditions and subject to restrictions as it may determine. The remuneration of the Managing Director shall be determined in the same manner as that of a Director.

The Board has not appointed a Managing Director and it is not its present intention to do so.

- (f) The Directors may from time to time at their discretion raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting. The provisions of the Articles of Association relating to borrowing are qualified by the relevant provisions of the Companies Act, 1956.
- (g) Every Officer or agent of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Companies Act, 1956, in which relief is granted to him by the Court.
- (h) Save as hereinafter mentioned in regard to joint holders, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative, shall have one vote. Upon a poll every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative or proxy shall be entitled to one vote for each share held by him. No person may vote in person or by proxy if there remains unpaid any call or other sum due on any of his shares.
- (i) If there be joint registered holders of any shares, any one of such persons may vote at any meeting either personally or by proxy in respect of such shares, as if he were solely entitled thereto, provided that, if more than one of such joint-holders be present at any meeting either personally or by proxy, that one of the said persons so present whose name stands higher on the Register of Members shall alone be entitled to vote in respect of such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member in whose name shares stand shall for the purpose of the Articles be deemed joint-holders thereof.
- (j) The Articles of Association contain no restriction on the transfer of fully paid up shares. The Directors may decline to register a transfer of any partly paid shares to a person of whom they do not approve and may also decline to register a transfer of partly paid shares on which the Company has a lien.
- (k) The special rights attaching to any class of shares may be varied, modified, commuted, affected, abrogated or dealt with by any agreement between the Company and any person purporting to contract on behalf of that class provided that such an agreement is ratified in writing by the holders of at least three-fourths in nominal value of the issued shares of that class or is confirmed by a resolution passed at a separate General Meeting of the holders of shares of the class and supported by the votes of the holders of at least three-fourths of the shares of that class.

MAIN OBJECTS

The main objects of the Company include the manufacture and sale of soap, soap powders, detergents, toilet requisites, vanaspati, margarine, edible oils, cattle food and foods of all kinds.

All the objects of the Company are in law main objects and therefore a copy of the the objects clause of the Company's Memorandum of Association is annexed hereto and forms part of this Offer for Sale.

CONTRACTS

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

No.	Date	Particulars
1.	2nd May, 1955	Assignment of the Trade Mark, "Breeze" registered in India under No. 128300 to Erasmic Company Limited of Unilever House, London.
2.	1st February, 1956	Assignment of the Trade Mark "Bris" registered in India under No. 163139 to Erasmic Company Limited of Unilever House, London.
3.	12 November, 1955 to 18th September, 1956	Correspondence between the Company and the Government of Bombay by which the latter has accorded sanction to the grant of a lease of a site at Backbay Reclamation, Bombay of approximately 4,258 sq. yds. for a period of 99 years at a ground rent of Rs. 12-8 per sq. yd. on condition that the Company erects thereon an Office Building of not less than Rs. 12 lakhs in value within the first four years of the said lease.
4.	27th September, 1956	Agreement between the Company and its workmen employed in its factories at Sewri, Bombay, represented by Lever Brothers Employees' Union, Bombay, fixing generally the terms and conditions of employment for the years 1955 to 1960 both inclusive, and, in particular, fixing pay-scales, dearness allowance, grading of hourly rated jobs, provident fund, gratuity and incentive payment and bonus.
5.	10th October, 1956	Resolution passed by the Company in general meeting on 10th October, 1956, voting as the annual remuneration of all the Directors collectively a sum not exceeding Rs. 8 lakhs to be apportioned among them as they may determine.

UNDERWRITING

This Offer is not being underwritten.

APPLICATIONS FROM THE PUBLIC, which must be for 50 shares, or a multiple thereof, must be made on the official WHITE application form and will be declined if not so made. WHITE application forms, together with a remittance for the full amount payable on application, should be sent to any of the branches of the National Bank of India Limited, or to the Brokers to the Offer, at the address as given on the application form. A separate remittance must accompany each form.

APPLICATIONS FROM THE STAFF OF HINDUSTAN LEVER LIMITED for the shares reserved in the first instance for them, and which must be for either 25 or 50 shares, must be made on the official BLUE application form and will be declined if not so made. These forms are obtainable only from the offices of Hindustan Lever Limited mentioned in the last paragraph of this Offer for Sale. BLUE application forms, together with a remittance for the full amount payable on application, should be sent to the Secretary of Hindustan Lever Limited at Scindia House Dougall Road, Ballard Estate, Bombay. A separate remittance must accompany each form.

All remittances should be made by cheque or draft drawn on a bank in any one of the following towns, Bombay, Calcutta, Madras, Bangalore, Amritsar, Cawnpore, Delhi, New Delhi, Tuticorin, Cochin. Application forms sent with cheques or drafts drawn on banks in towns other than those stated above may be refused.

Cheques or drafts should be made payable to "National Bank of India Limited A/c Unilever" and should, for the applicant's protection be crossed "A/c Payee only".

The Offeror reserves the full and uncontrolled right of accepting or rejecting any application in whole or in part. Where an application is rejected or not accepted in full, the whole or the balance of the applicant's remittance will be returned, in which event bank commission, if any, will be payable by the applicant.

Acceptance will be notified by the despatch of a definitive share certificate in the name of Unilever Limited together with a blank transfer executed by that company or on its behalf as transferor. These documents will be sent by registered post at the risk of the applicant. The Company has agreed to waive the transfer fee for the registration of such transfers from the Offeror.

A brokerage of 4 annas per share will be paid by the Offeror to the Managing Brokers in respect of all acceptances. The Managing Brokers will pay 2 annas per share to Certified Brokers of any recognised stock exchange and to the National Bank of India Limited on the basis of acceptances of applications received and bearing their stamp. In addition to the 2 annas per share, the Managing Brokers will pay to Messrs. Place, Siddons & Gough, Messrs. Kothari & Sons and the National Bank of India Limited remuneration for any additional services rendered by any of them to and at the request of the Managing Brokers.

The consent in writing of the above-mentioned Bankers, Solicitors and Brokers to act in their respective capacities has been obtained and none of them has withdrawn their consent to the issue of this Offer for Sale. Messrs. A. F. Ferguson & Co. have also given and have not withdrawn their written consent to the issue of this Offer for Sale with their Report included in the form and context in which it is included.

The foregoing written consents, copies of the contracts numbered one to five above and the written statement of the adjustments made by the Auditors in arriving at the figures shown in their Report and giving the reasons therefor have been attached to the copy of the Offer for Sale, which has been delivered to the Registrar of Companies, Bombay, for registration.

The documents mentioned below may be inspected at the Registered Office of the Company, Scindia House, Dougall Road, Ballard Estate, Bombay, during usual business hours (excluding Saturdays) until the Application List has been closed.

- (1) The Memorandum and Articles of Association of the Company.
- (2) Copies of the contracts numbered one to five above.
- (3) Copy of the order of the Central Government giving consent to the Offer for Sale.
- (4) Copy of the order dated 8th October, 1956, of the High Court of Judicature at Bombay under Sections 391 and 394 of the Companies Act, 1956, vesting the assets (subject to the liabilities, duties and covenants) of The Hindustan Vanaspati Manufacturing Company Private Limited, in the Company.
- (5) Copy of the order dated 8th October, 1956, of the High Court of Judicature at Bombay under Sections 391 and 394 of the Companies Act, 1956, vesting the assets (subject to the liabilities, duties and covenants) of Joseph Crosfield & Sons (India) Private Limited, in the Company.
- (6) Copy of the order dated 8th October, 1956, of the High Court of Judicature at Bombay under Sections 391 and 394 of the Companies Act, 1956, vesting the assets (subject to the liabilities, duties and covenants) of William Gossage & Sons (India) Private Limited, in the Company.
- (7) The original Report of Messrs. A. F. Ferguson & Co., as set out herein and a copy of their statement as to the adjustments made by them in arriving at the figures shown in their Report and giving the reasons therefor.
- (8) Copies of the balance sheets and profit and loss accounts upon which the Report of Messrs A. F. Ferguson & Co., Bombay, is based, for the 5 years ended 31st December, 1955.

Copies of the Offer for Sale and WHITE application forms may be obtained by the public from all Indian branches of the National Bank of India Limited and from the Brokers. Copies of the Offer and BLUE application forms may be obtained by the staff from the Registered Office of the Company at Scindia House, Dougall Road, Ballard Estate, Bombay, and from the Company's offices at 4 Lyons Range, Calcutta; 12/1 Delhi-Ajmeri Gate Scheme, Delhi; 11/14 Armenian Street, Madras; Mattancherry Main Road, Cochin; 2 Central Street, Bangalore; Athgaon Road, Gauhati; Grand Trunk Road, Ghaziabad; Edamalaipatti, Pudur, Tiruchirappalli.

Dated at Bombay this Seventeenth day of November, 1956.

A. J. C. HOSKYNs-ABRAHALL

S. H. TURNER

K. S. BASU

K. T. CHANDY

D. A. ORR

R. J. WHEELER

M. ZINKIN

For P. L. TANDON

K. T. CHANDY
Constituted Attorney

For THE LORD HEYWORTH
(Director of Unilever Limited)

A. J. C. HOSKYNs-ABRAHALL
Constituted Attorney

For A. M. KNOX
(Director of Unilever Limited)

S. H. TURNER
Constituted Attorney

For UNILEVER LIMITED
A. J. C. HOSKYNs-ABRAHALL
Constituted Attorney

COMMODITY NEWS AND NOTES

ALL-INDIA SECOND ESTIMATE OF SESAMUM FOR 1956-57

The All-India Second Estimate of Sesamum, 1956-57, puts the current year's area at 4,011,000 acres as against the corresponding adjusted Estimate of 4,282,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Union Ministry of Agriculture. This shows a decline of 271,000 acres or 6.3 per cent in area during the current year as compared to last year.

The decrease in acreage under sesamum during the current year has been shared mainly by Madhya Bharat, Madhya Pradesh, Rajasthan and Bombay and to a lesser extent by Uttar Pradesh, Bhopal, Madras and Vindhya Pradesh and has been generally attributed to unfavourable weather condition at the sowing time and continuous and heavy rains especially in Bombay Rajasthan and Bhopal. The decrease has, however, been offset to some extent by increases reported mainly by Hyderabad, Saurashtra, Andhra and Kutch. The information given in this estimate covers the period generally up to the end of September, 1956.

SCHEMES FOR CASHEW CULTIVATION IN KERALA

A scheme for cashew afforestation designed to cover 20,000 acres of forest land and costing about Rs. 32.5 lakhs has been undertaken in Kerala under the second Five-Year Plan. Another scheme for raising of nurseries which is likely to cost about Rs. 2.6 lakhs during the plan period has also been sanctioned for the production and distribution of quality planting material. It has also been decided to grant loans @ Rs. 170 per acre to private landholders and lessees of Government lands engaged in cashew cultivation.

PRODUCTION AND CONSUMPTION OF RUBBER

The total production of natural rubber in 1956 is estimated at 23,750 tons and consumption at 30,000 tons. The annual production is expected to increase to 32,400 tons by 1966, while the annual consumption might reach 40,000 tons by 1960. About 90 per cent of the total production in the country is obtained in Kerala State. By 1966 the annual production in Kerala might be increased to 32,000 tons.

INCREASED OUTPUT OF IRON ORE

The total output of iron ore in India increased from 318,583 tons in August, 1956 to 332,014 tons in September, 1956, according to official statistics released by the Chief Inspector of Mines, Government of India. Returns received from 107 mines for the month of September, 1956, show despatches totalling 232,753 tons to the iron and steel plants and 131,290 tons to the export market. The reported stocks as at the end of the month amounted to 1,33,928 tons.

EXPORT POLICY FOR OILS AND COTTON

The Government of India have reviewed the export policy for certain agricultural commodities. It has been decided to allow exports of niger seed oil, kardi seed oil, groundnut oilcake and coconut oilcake freely within a ceiling up to the end of February 1957. Against shipments effected of niger seed and kardi seed oils, the exporters will be permitted to export an equal quantity of niger seed. Government have decided not to announce any export quotas for groundnut oil in view of the high ruling prices. Similarly in view of the present high level of prices of cotton, Government have not considered it desirable to announce a quota at this stage.

DISTRIBUTION OF CEMENT

There had been an improvement in the distribution of cement since Government took over that work,

stated Mr. Manubhai Shah, Minister for Heavy Industries, in reply to a question in the Lok Sabha recently. Mr. Shah said that in the interest of proper control over distribution, the sale of cement without permits at the gate of cement factories had been stopped. Even before this practice was stopped, gate sales were limited to a very few factories. The quantity of cement thus saved, though small, had gone into the general allocations.

CHROME ORE DEPOSITS

There are enough deposits of chrome ore (200,000 tons) to satisfy India's needs for many years to come, the current level of consumption being 8 to 9 thousand tons a year. This mineral is in world short supply and as it is a very precious metal Government may have to pursue a cautious policy for export purposes. This information was given in the Lok Sabha by Mr. K. D. Malaviya, Union Minister for Natural Resources.

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Company Meeting

KILLICK INDUSTRIES LIMITED

Speech of Mr. E. D. Sheppard, Chairman of Killick Industries Ltd.,
at the Company's Ninth Ordinary General Meeting on
27th November, 1956.

Gentlemen,

You will recall that during the course of the speech which I made last year at this Meeting, I attempted an analysis of the political and social thinking prevailing in the country in so far as it affects the formulation of economic policy. As a conclusion from this analysis I suggested that there was no alternative to the co-ordinated efforts of both the State and of Free Enterprise, and that in order to achieve as quickly as possible a better life for all in India, the fullest advantage must be taken of the contributions which each system is best capable of making. In effect this implied the application of "Mixed Economy" or as I would prefer to call it of "Joint Endeavour".

Since then the Avadi Session of the Congress Party has decided that the economic development of the country is to be directed towards the achievement of "A Socialistic Pattern of Society". Various policy pronouncements and Acts of Parliament which have followed in the wake of this decision give the impression that it is to be implemented by a process of establishing uniformity and an official discouragement of incentives or individual gain. Indeed the thoughtful mind cannot help but feel the strongest misgivings that, if it is along these lines that the Socialistic Pattern is to be pursued, it will eventually lead to frustration, and the belying of the hopes for a fuller life which so many millions of people have pinned on it.

In a recent article entitled "The Dynamic Society", a leading economist has dubbed the philosophy which forms the basis of this type of economic thinking as being "like a dog in a barnyard. It cannot lay eggs itself and it will not let the hens do so". This writer points out that when men are not allowed to strive for their dreams and to enjoy the fruits of their strivings, they consume everything they produce from day to day and so make it necessary for the State to force them to abstain, in order to save and build tools for the future.

The same economist points out that there are two methods by which the economic donkey can be propelled forward. One is to offer him a carrot and the other is to beat him. In both the cases the result is forward movement. Similarly there are two dynamic economic systems prevailing in the world today. One is that of Free Enterprise, or development through individual incentive, and the other that of the authoritarian States and its methods of compulsion.

We in India have rejected the stick theory and the concept of the authoritarian State as being alien to the traditional Indian way of life. Can we not therefore accept as a nation the logical corollary of introducing the carrot in its stead? We are not prepared to accept interference with our political freedom, or with such matters as the freedom of speech, and of the Press; why then should we take a completely different stand

in relation to economic freedom? In this sphere people who would resist to the utmost limitations being imposed on their social and political rights, accept without murmur controls over such matters as production, profits, wages, and prices, and feel that it is perfectly reasonable for Government to regulate them. In my view this is an inconsistency which could lead to a frustration of the National Economy.

The terms "Capital" and "Capitalist" have over a period of years been misinterpreted and distorted so much that in the public mind they are now associated with systems which are completely at variance to their real activities. "Capital" is widely identified with an undesirable concentration of power and the accumulation of personal wealth, rather than what it in fact is, namely the savings of people which have been created by hard work and self-denial and which are thus available to start more good things growing. Now a similar process of distortion is in being which seeks to identify the term "Private Sector" with something that is anti-social and anti-national. "Private Sector" is a term which is at variance with the system which it purports to describe. There is nothing "private" about the finances and accounts of the major industrial units existing within the so-called "Private Sector". These units of Free Enterprise are as public as they can be. They are subjected to continuous and close audit, and are available for scrutiny to a wide range of people. The goods which these industries produce and the products which they market are sold only because there is public requirement for them and at a price which this public is prepared to pay. Shareholders of these so-called "Private Sector" units in fact represent a wide cross section of public society. The recent passage of the new Companies Act into law has stripped the last vestige of even legitimate privacy from these Joint Stock companies.

Furthermore, the tendency to associate the "Private Sector" with the relatively few major corporate industries is itself quite wrong. The truth of the matter is that the so-called "Private Sector" consists of all business activity and commercial endeavour except those few units which are operated and owned by the State. The vast range of these business and commercial interests varies from the largest industrial concerns on the one hand to the small shopkeepers carrying out their day to day trade in the bazaar on the other, and it is all these who are denoted by the misused term "Private Sector".

If it is necessary, as it apparently is, to differentiate within the mixed economy between those activities which are State controlled and State regulated on the one hand, and those which operate through the initiative of individuals on the other, then I would suggest that a more accurate description of the two sectors would be to rename what is today called the Private Sector as the "People's Sector" and the Public Sector as the "State Sector". Such renaming would, I feel, go a

long way towards removing the unfortunate and erroneous association of ideas in the minds of the public regarding the structure of Free Enterprise.

We hear also a good deal of talk these days by socialistic planners of the desirability for increasing co-operative societies. I submit that a Joint Stock Company is nothing but a co-operative society in the fullest sense of the term. Its capital is created by co-operative faith in its venture, its direction is provided by those who reflect in their persons co-operative choice, its factories are worked by co-operative endeavour and finally its products are sold only if there is co-operation from the consuming public. The doctrinaire socialist, who suppresses or distorts facts that do not fit in with the theories that he has imbibed during his student days, tends to brush this argument aside with the remark that a handful of shareholders cannot be described as a co-operative society. To meet this contention I think it will interest you to know that in the major industries in India the ratio of shareholders to workers employed is approximately as follows:

Steel	.. 1 shareholder to 1 worker.
Cement	.. 1 shareholder to 1 worker.
Textiles	.. 1 shareholder to 2 workers.
Electricity	.. 10 shareholders to 1 worker.

Surely the logical result of a dispassionate appraisal of all the facts is that the existing policy, namely that of a constantly increasing State Sector, and by implication a proportionately smaller People's Sector should be exactly reversed and the best interests of India would be served by the State doing only those things which the people cannot do by the exercise of their own initiative and judgment in the arena of the world market place. Can any Government truthfully say that it knows this market place better than its people know it?

On the subject of the use of terms which come to have a meaning foreign to their purpose, one must also comment on the "Classless Society" so much in current vogue. Inasmuch as this term denotes a society from which has been banished hereditary privilege and unwarranted opportunity, and means the creation of a social organisation to which each one is entitled to contribute on merit alone, its implication can only be welcomed. Unhappily this is not the concept that is meant by those who so constantly refer to it. The type of "Classless Society" which these people appear to have in mind is one in which all men are dragged down to a level of uniform poverty.

Such a society must of necessity be a third class society. Any deliberate attempt to abolish a class by taxation or any other legislative means will never succeed in abolishing "Class". For in the vacuum so created an official bureaucratic aristocracy would emerge at once. What it would achieve would be to abolish variety, character, and those inspirational gifts which alone save a country from colourless uniformity. It is the personal vision and the difference between people that count and help towards the making of a nation. This difference of outlook must inevitably express itself in a search after varying environments. "Class" is not a matter of money and still less is it one of social ambition. It comes from the free exercise of choice in culture, environment, and the differences which life has to offer, it cannot be "ironed out" for the human soul does not lend itself to the process of laundry.

It is interesting to note the revulsion which has appeared in England against the dose of doctrinaire socialism that was injected into the economic system of that country for the five years immediately after the last war. In practice Socialism has meant the

creation of huge irresponsible public corporations and the extension of bureaucracy. Nationalisation has not succeeded in changing the lives of the workers but has only added to the steady concentration of power in the hands of official classes. Trade Unions have become the strongholds of restrictive practices, limiting not merely industrial output but, far more important, liberties of individuals and those of minorities. It has become very clear to me that what people want is, as far as possible, to be allowed to choose from a bigger selection of things—material and spiritual. The way to satisfy them is not to cut down to a common size everyone else's choice. That is precisely the way to deprive the community of the flexibility, the diversity, and the incentives upon which the policy of plenty and a dynamic society must depend. The right way is to create incentives that lead to an increase in the total national product and thereby level upwards and not downwards.

I would like, during the course of my talk this afternoon, to deal especially with the plight of the middle class of our country and the constantly increasing bleakness of the future which faces it.

That the middle classes are depressed, that they are being destroyed by taxation and the high cost of living, that some Finance Minister of the Government of India must do something about it—and that none ever does; these are the truisms which have been with us ever since 1947.

What is this middle class and whom does it comprise? I would suggest that it embraces all those people who work with their brains and derive their income from salaries and professional fees or from the active management of property, those who do most of the organising and creative and inventive work from which the nation gains its vitality. The spread of this class stretches from the clerk and salesman at one end to business executives, and professional men at the other. The thread which unites them is social rather than financial. The contributions which these people make come from intelligence, character and example. For the most part they do not clock in and clock out for eight hours a day, but are always on duty. They are compelled to keep up a standard of living not merely for the sake of appearances, but in order to play their part in the social life which they guide and nurture.

Universal adult franchise in our country encourages politicians to look solely to the masses and to ignore the middle class as though it were negligible. Since independence the well-being of the industrial working class has been the special care of the Central and State Governments, as also that of the majority of parliamentarians. As has recently been stated by the Labour Minister of the Government of India, there has been a rise in the real wages of this class. Not only can no one object to this, but indeed if the raising of the standard of life of all people in the country is to be achieved, then we must regard the betterment of the living conditions of this particular class as a matter of great satisfaction and unstinted pleasure. At the same time one hears that the agricultural class, which of course constitutes the great majority of the Indian people, has also taken a few albeit faltering steps forward, on the path to a better life. It is the hope of all people that this trend will be emphasised and speeded as rapidly as possible.

But what of the middle class? When attention is focussed on their betterment there appears to be a curious lack of interest in it. No political champions come forward to safeguard their interests. As has been suggested earlier, the reason for this may well be pure-

ly one of numbers—in a population of 360 millions they do not appear to warrant the interest and attention of those standing for parliament and whose political future is decided by the counting of heads. Consequently the middle class is left friendless and unsupported. Unless this process of deterioration in its standard of life, and therefore in the morale of the people constituting this class, is arrested, an irreplaceable component of the industrial and commercial structure of the country will be dangerously weakened, and no amount of planning or legislation will be able to replace it or revive it.

But are the numbers of the middle classes really so negligible? The figures I gave you earlier of the relative numbers of workers and shareholders in various industries show that the number of shareholders—about 90 per cent of whom belong to the middle class—is by no means inconsiderable. They represent an integral and vital part of the social structure of all countries and can wield an influence out of all proportion to their numbers. I would liken them to the leaven of the mass and without leaven the mass cannot rise. In India today too much time and attention is devoted to the mass and far too little to the leaven of the mass.

It is true to say that over the past years there has been an erosion of incentives in the case of most salaried people, whether serving in public life or in a private capacity. The general standard of living of salaried workers has been considerably reduced. This has been brought about principally by means of taxation. To the plethora of already existing taxes which have hit the middle class hard the last budget added even more. It was a measure of the extent to which taxpayers have been demoralised in the country over the past few years that after the last budget, which in real terms made India—still in a relatively early stage of industrial development—the highest taxed nation in the world, there was a feeling of relief that it had not been even more penal on individual earnings. This matter of taxation has been written and spoken about at such length and in so much detail that there is nothing new which can be said about it. All the arguments of disincentives, of inequity, and of the frustration which will result, have been put forward time and time again. I feel however that the time has now come when the inroads of taxation upon the earnings and on the standard of life of the middle class must be faced up to if there is not to be a collapse in the morale of that class which will be irreparable.

Turning now to the affairs of your own Company, you will doubtless have observed that the profit is lower than that of the previous year. This is accounted for by the reduced profits of the Kohinoor Mills Co., Ltd., and the Ahmedabad Electricity Co., Ltd. for the period reflected in the accounts, and the reasons for which are well known to most of you. There was also, as anticipated, a loss on the first year's working of John Baker & Sons Steel File Factory, though this was fortunately considerably less than was estimated when this undertaking was planned.

I am glad to say that both the Kohinoor and Ahmedabad companies are now working at a normal rate of profit and that the steel file factory should—barring unforeseen eventualities—return a satisfactory profit for the current year.

Another factor which also contributed to the reduced profits is less easy to remedy. I refer to your Company's share in the Managing Agency commission of the Associated Cement Companies Limited which is received in the form of a dividend from Cement Agencies Limited. This became subject to the tax on dividends over 6 per cent introduced in the 1956 Budget which had the effect of reducing the amount received by Rs. 1.25 lakhs. It is difficult to see what can be done about this so long as this inequitable tax remains on the Statute Book.

The expansion and diversification of your Company's activities continue to receive the closest attention of your Directors. As you will have seen from the Report permission has been received from Government to increase the production of the steel files factory and a licence has been granted for the manufacture of nuts and bolts, dogspikes and coachscrews. In addition several other projects both large and small are in process of detailed examination.

Also your Directors have recently come to an agreement with the shareholders of Messrs. Killick Nixon and Co., Ltd. to purchase all the shares of that company and the matter is expected to be finalised early in the New Year. Killick Nixon and Co., Ltd., will then become a wholly owned subsidiary of this Company. Among their assets is this Building in which we are now meeting. Their Shipping and Trading interests will lend a healthy balance to the predominantly Industrial activities which have hitherto represented the bulk of your Company's business.

Taking everything into consideration therefore I feel we can face the future with confidence and I have little doubt that when we meet here again next year the picture which I shall then be able to lay before you will be a happier one, though it may well be that the figure in the accounts which will show the most significant increase will be that under the heading "Provision for Taxation".

Note: This does not purport to be a record of the proceedings of the Annual General Meeting which will be sent separately to shareholders.

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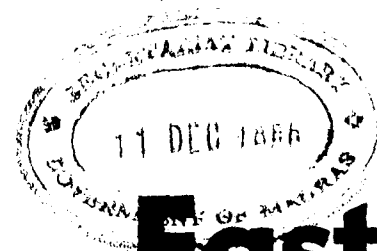
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Under the Hammer

LAST Friday another hammer blow fell on what is becoming a fairly hardened anvil. The anvil will endure, but need it always be hit so spasmodically? The fiscal system of the Indian Union seems now to be destined to move by fits and starts. The convention by which taxes come at the time of an annual budget has been twice broken in two months, and the business community has been left wondering how often within an annual period it is likely to be called upon to adjust its thinking to the rapidly changing views, which the Finance Minister might take of the current economic situation. Quite apart from any merits or demerits of the present proposals, there is no doubt that Mr. Krishnamachari has produced an atmosphere of uncertainty, by reason of the belief that he will operate on the tax-payers' pocket at no regular intervals, but by the fickle moods of the moment. This is a quite certain, though an intangible, loss, since economic initiative

is based on the existence of a reasonable period during which certain assumptions of economic stability can be made. Whether or not the Budget in February is to be a "lame-duck affair", harm has been done by frequent changes in many rates of tax.

This criticism of the Finance Minister must not suggest that conditions are such as to justify inaction. In a Leading Article in the last issue of *The Eastern Economist* it was argued that the inflationary situation was grave enough to merit strong brakes being applied, particularly by withholding steel and hastening sales of food grains from Government stocks. Additional taxation is one means of providing or withdrawing purchasing power, and it is conceivable that, under special circumstances, taxation would be more effective than the sale of agricultural products which would take some time. But the measures which were produced last Friday are neither

adequate nor immediate in their operation. They do not, therefore, provide justification for haste.

Consider, for example, the Capital Gains Tax. On principle this tax is justified and the fact that leading counters on the Stock Exchanges have reacted to its introduction by a drop of between 6 and 10 per cent is no argument against its soundness in principle. It is also not sound factual argument to suggest that, because of the Capital Gains Tax, adequate finance will not be available for the private sector. Much the greater portion of finance for the private sector is now produced out of current corporate resources and not from fresh issues. In any case it is extremely unlikely that the Capital Gains Tax of itself is likely to destroy, as many critics have suggested, the flow of the meagre finance which is canalised through the Stock Exchanges. Much the greater portion even of Stock Exchange finance comes from corporations or corporate sources such as insurance. It is wholly improper, therefore, to describe the new Capital Gains Tax as a major disincentive to capital formation in the country. On the other hand, the form in which it has been introduced is by no means ideal. One might well have asked for an imitation of the American model, which has proved its worth, instead of a wholly new measure such as the Finance Minister has chosen.

Again, there is an issue of timing. While the Capital Gains Tax is in principle right, one may well wonder whether its introduction at this time when the Stock Exchanges were recovering from Mr. Krishnamachari's first onslaught after the cotton textile duties was appropriate. This tax could certainly have waited for the next budget. This is particularly so because it will give no receipts in the current year and may even give none in the following year. The whole administrative problem of assessment of this tax will raise great difficulties and payments may not come in until 1958-59. Thus the annual yield of about Rs. 7 crores is not a withdrawal of purchasing power in the short period. It is thus not relevant to the inflationary situation unless the Finance Minister is more worried about Stock Exchange prices than the cost of living.

Similarly, in regard to Rs. 9 crores which are expected from excise duties and indirect taxes, to which fuller reference is made in a Special Article in this issue one might argue for the short period that these are not all withdrawals of money from public into Government hands. Again, if the Finance Minister was seriously suggesting, as appears from his speech, that these meagre taxation proposals are an answer to the inflationary situation he surely is totally misreading the dimensions of the problem. Nor has he provided even the semblance of a remedy for prices. Only Stock Exchange prices have been reduced. The immediate effect of Friday's measures has been to raise many prices (particularly in Delhi, where sales taxes on many items have been doubled) and significantly to increase the burden on middle class groups. The total effect being small, the burden can be taken; but this is not disinflation.

If the taxation proposals are marginal in their impact, nothing of the kind can be said about the proposal to impound the capital of the private sector by requiring deposits in certain percentages of private corporate resources, not covered by what the Finance Bill describes vaguely as "fixed assets". It surely cannot be the

intention of the Government of India to deprive numerous companies, which are using their reserves and profits as working capital, of the right to use these reserves instead of approaching banks at a significant rate of interest for the finance which is essential for production much of which is required under the Plan. The Finance Bill has been worded in a manner which suggests that the Government of India has no understanding of the way that these funds are at present employed; one would assume that reserves are "free" money. The full force of these fierce measures can only be softened by imaginative administration interpreting "fixed assets" to include necessary working capital.

If the difficulty in respect of large enterprises is great, the problem of finance for the small enterprises have now become almost insuperable. For one thing they have to go to the banks, willy-nilly, for working capital. If the banks are now to lend more to big business, which is more credit-worthy, there will be less finance for the small business men. Again, in the changed conditions in the Stock Exchanges the small business man can have little access to corporate capital in fresh issues. The net result is that in this period of financial stringency while one can certainly expect big business, crabbed and confined, still to survive, small business may be pushed out by the denial of finance. In the circumstances the socialistic pattern of society is likely to open its account by a number of small business casualties. The indications are already clear in respect of many small businesses on which *The Eastern Economist* has information.

In the last analysis the blow can only be evaluated in terms of the understanding which the authorities responsible for the receipt and release of these deposits bring to their task. In various private meetings, and particularly in a meeting with a delegation of the Federation of Indian Chambers of Commerce and Industry on Thursday, the Finance Minister has indicated that releases will be prompt in every bona fide case. However, the fact that a great inroad will be made in working capital by the initial deposit is not removed merely by the promise of wise and prompt administration which, incidentally, has only been promised, not proved. If administration is really good, perhaps even a vicious interference with a principle of free enterprise, that a company administration has control over its own funds, can be tolerated.

While new problems have arisen as a result of the Government of India's hasty and ill-considered action, nothing will be more unfortunate than that the country should be distracted from inflationary pressures to deal with the appropriation, however temporarily, of the private sector's capital which is the main purport of the Finance Minister's action. It is time to remember that the battle is not between the private and public sectors, but on the whole inflationary front, the cause of which is nothing, more nor less than the Plan. Robbing Peter to pay Paul may be good politics, but it is not the reduction of inflation, or the fulfilment of the Plan. If the shutting off of necessary finance for the Plan takes place, the Plan is inevitably reduced, whatever brave words the Finance Minister may use in declining to be pessimistic. The Plan is already in danger, if such drastic methods have to be used to prevent inflation. Surely abroad, where brave words will not be enough, this adverse conclusion will be drawn.

Spotlight on Chinese 'Co-operatives'

THE Government of India's Delegation to China on agricultural planning and techniques, led by Mr. M. V. Krishnappa, Deputy Minister for Food and Agriculture, has come out with an interesting report—especially stimulating in its factual and narrative sections. Although some of its conclusions and recommendations are of doubtful validity—these are to be dealt with in our forthcoming Annual Number in their bearing on the future course of agriculture in India—the report is, on the whole, a balanced document in its commentative sections. It is also a reasonably objective document betraying no pronounced ideological enthusiasm for the cataclysmic agrarian shake-up and reorganisation in Communist China. The report is, besides, valuable for us in India—perhaps more valuable for what it does not say in so many words or says in only a few words than for what it says explicitly or in too many words. Although what it describes in detail is, to a considerable extent, what is already known from published Chinese sources, there are some stray—almost casual—observations and findings which suggest, by implication, that all is not well with Chinese agriculture.

Take, for instance, that supreme question of collectivisation of land and farming, just nearing completion in China—a root-and-branch change which, in its range and magnitude covering as it does 110 million families in a million collectives with 275 million acres, has no parallel in any other Communist country than the Soviet Union. There are in the Report some revealing statements on 'collective farms' (misleadingly described by the Chinese as 'co-operatives of the advanced type' as if to suggest that they represent the most desirable form of human organisation on the farm, and unquestioningly referred to by the Delegation itself as 'co-operative farms')—stray observations which may well escape the notice of a superficial reader. One such statement is: "Among the difficult problems which arise when co-operative farming is undertaken with traditional techniques (italics ours) are those relating to the organisation of work and the provision of incentives for harder work.... While we were not in a position to form an assessment of the internal strains and difficulties which might exist in the average co-operative (italics ours), from such observations as we have made, it appears to us *prima facie* that essentially workable methods for organising labour and ensuring team work and discipline as well as providing incentives for hard work have been evolved".

Another revealing statement, where the Report deals with work norms and wages, is: "We have no reason to believe that these aims (in the matter of increasing the annual income of the co-operative by harder work and of thereby increasing the value of each work-day) are not being realised in practice, although it is not improbable that in many co-operatives there exist doubts and criticisms to which there may or may not be satisfactory answers" (italics ours). These two statements virtually give away the case for co-operative farming, or co-operative collective farming, or simply collective farming, although they are in a way contradicted by the Delegation's observation that "we should doubt if the effort and hard work which are now being put in by peasants could be attributed, to any

appreciable extent, to force, compulsion and the like". This last statement is amazing—still more amazing in the context of the Delegation's own remark that "it is the members (10 million) of the (Communist) Party working in the remotest villages who have brought about a fundamental change in the rural structure of China".

It is here that one comes to the crux of the matter. If the average Chinese peasant works very, very hard now, does it mean that he was lazy before? Was he not working extremely hard through the ages on a smaller average holding than in India, irrigating the fields largely by his own labour and utilising all organic manurial resources including his own night soil to secure very high average acre-yields—yields which, according to the Delegation itself, are yet to be surpassed on the average collective? If, even before the Communists came to power, the Chinese peasant had reached the optimum point in the matter of human exertion and of utilisation of natural resources, any harder work by him now cannot be a matter of voluntary choice. It is the whip that should be goading him to still harder work now. The local Communist, taking his orders from above, may not have an actual whip in hand, but he should nonetheless be a terror as a manager for behind him stands menacingly the military power of the State.

But much more than the subtle State-cum-Party coercion and the pressure of some 250 million Communist-organised landless peasants ('beneficiaries' between 1949 and 1952 of an average of one-third acre of land per capita and now, with the extinguishment of their newly-acquired ownership rights, greater 'beneficiaries' of somewhat higher returns by way of wages on the collectives), the whip of hunger and of fear of a possible decline in living standards should be driving a further 250 million of former landowning peasants (who, even before 1949, had their own lands which they were cultivating most efficiently by hard work) to still harder work on the collectives now. This should be no surprise because the State directly taxes away an average of 20 per cent of gross produce (as against the 2 per cent or less in India), indirectly (as monopoly purchaser of marketable surpluses) takes away something more by way of unfair prices and thereby reduces the divisible income of the collective to a level at which the value of a work-day is drastically reduced. In the circumstances, to earn more an average peasant would have to work harder than ever before.

That explains the prevalence of a piece-work system with the concomitant work-norms (the norm for each job being based on the amount and quality of work which an average member working diligently under normal conditions can do in one day on that particular job), prizes and penalties—the penalties in particular plaguing production brigades which fulfil less than 90 per cent of their work-norms which themselves should be on the high side in most cases. These verily are the methods of 'force, compulsion and the like', euphemistically called 'incentives'. This may be 'rational' organisation of labour and its scientific exploitation, but it is not human. For, the once-proud peasant, made to work harder as a wage-labourer on a collective, is at the same time "deprived of the feeling that he is working for himself and his family".

The Kremlin's Shadow over the Middle East

AN uneasy calm prevails over the Middle East; a new danger faces the free world. It is the danger of Soviet infiltration.

This infiltration has been made possible by the power vacuum that the Anglo-French aggression has caused in that region. It is generally conceded that Egypt had received more Russian arms than were actually known or needed. A spokesman of the US Foreign Office has now disclosed, at a press conference, that Syria, another centre of Russian interest, "is continually receiving shipments of arms from the Soviet Union". The present collective leadership of Russia has thus apparently achieved what even the Czars and Stalin with his various stratagems failed to do: a foothold in the Middle East.

Ever since the end of the second world war, Russia has been trying feverishly to secure this objective. It was its sudden change of policy at the United Nations in 1947 that led to the creation of Israel. Subsequently it used the Arab-Israeli conflict to foment trouble in the Middle East and undermine British influence there. While Russia backed Arab nationalism, politically and with arms deliveries, it supplied Israel with greatly-needed oil. Thus, Russia encouraged a local conflagration, and abetted it with oil, arms and advisers. The objective was to reduce the Arab States to sure dependence on its aid, and acquire a stranglehold on the vital supply of oil to Western Europe. Alongside this, Russia launched its "rouble offensive": liberal credits on easy terms were made to the Middle East.

The Western Powers, instead of meeting this dual challenge, of economic aid and arms, took the extreme and unwise course of forming defence pacts to buttress their influence and strengthen security against aggression. Economically, they refused credits altogether, or gave credits with "military strings attached" thereto. The Arabs felt insulted, as had other Asian nations. The old colonial relationship with the West was not old enough to have been forgotten.

The insult, added to the injury caused to Egypt by the Western Powers, first agreeing and then refusing to finance the Aswan Dam, gave the Soviet Union an opportunity to exploit the bitterness and the anti-West feeling thus created. The Anglo-French adventure resulted in the Arabs' temporary estrangement with these two traditionally interested Powers.

Having exerted great efforts over the last one century to get a foothold in the Middle East, Russia could not stand and watch idly the Anglo-French attempted come-back. Inactivity would have meant loss of face in the Arab world; more important, it would have meant loss of painfully won ground as well. Losing no time, Russia sent almost threatening notes to Britain and France and offered Egypt "volunteers to help repel the invaders". These notes were not an ultimatum in the full meaning of the word. But they clearly indicated that the Soviet Union meant to act in the Middle East, and that its aim was to extend its sphere of influence to that part.

Since the arrival of the United Nations Emergency Force, Russia has, no doubt, soft-pedalled the military threat and stepped up its diplomatic offensive. It has continued its vigorous support to Egypt. Among other things, this has weakened the momentary shock that the Arabs received at

Russia's ruthless crushing of the popular Hungarian revolt. Russia's diplomatic gain lies in the fact that she, and not the US or the UN, has got credit in the Arab world for having stopped a "colonial" war. The Arabs seem convinced that Russia's tough stand alone forced the Anglo-French and Israeli armies to accept a cease-fire.

Thus, relying on the twin weapons of diplomacy and economic allurements, Russia has moved in as a competitor into areas which up to now have been exclusively Western spheres of influence. This has delicately poised the balance between Russia and the free world. The calm in the Middle East is not a herald of peace: the area of the cold war now envelops that region.

The task of "rescuing" the area cannot be left in the hands of Britain and France. Their names have become suspect in the Arab mind. The task can—and should—be handled jointly by the free world. But the free world is divided. This division has been caused by defence alliances like SEATO and the Baghdad Pact. These military alliances have estranged India, Egypt, Saudi Arabia and almost all the Far Eastern countries from the free world. The Baghdad Pact has itself almost become a dead letter. Iraq recently refused to attend a Baghdad Pact meeting if Britain were present. Jordan, too, has decided to abrogate its treaty of 1948 with Britain. Even NATO, another defence pact, has irreparably been damaged by the Anglo-French "colonial" wars in North Africa, Cyprus and Egypt, and America's marked disfavour. This fact is generally not known in this part of the world. Since the meeting of the NATO council of Foreign Ministers, in 1952, for instance, France instead of being able to draw on North Africa for the defence of her position in Europe, has been forced to strip her NATO army to battle in African desert. The unrest in Cyprus likewise has threatened the NATO alliance. The quarrel has set at odds three NATO allies—Britain, Turkey, and Greece. Out of pique over Britain's refusal to grant Cyprus the right of self-determination, Greece refused to participate in the last NATO manoeuvres. Moreover, British troops in Cyprus, far from being a mobile reserve to protect the oil resources of the Middle East, have become a police force whose chief preoccupation now is to preserve law and order in that Crown Colony.

There is however a silver lining on the dark cloud: the United States has been able to gain the confidence of the Arab and Asian peoples by its straightforward and forthright condemnation of the Anglo-French aggression. But the only way to salvage something out of the wreck would be to give up the outdated policy of defence pacts and make an unequivocal offer to build the Aswan Dam (refusal to finance which has led to the present crisis in the Middle East). She should also offer effective economic and technical assistance to the Middle Eastern countries to help them in their developmental plans. India, with her vast influence in resurgent Asia and the Arab world and wedded to democracy, can play an effective role in bringing about a rapprochement between the Arabs and the free world. We hope that India and America would devise a mechanism jointly or through the United Nations so that the Middle Eastern countries could develop themselves to firm nationhood and a life of security, decency and prosperity.

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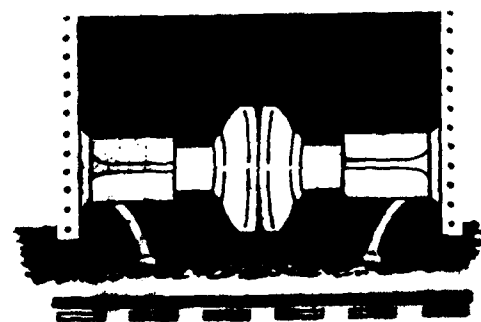


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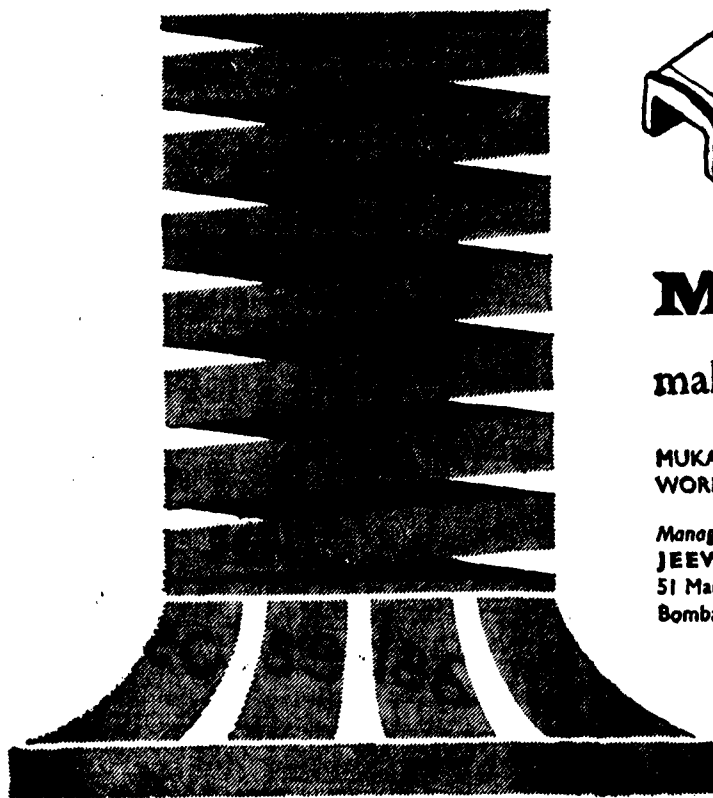


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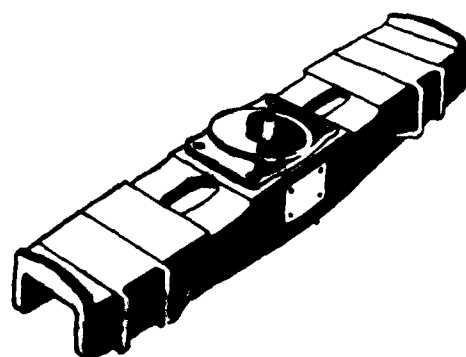
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THE WEEK'S NOTES

ECLIPSE OF PANCH SHILA?

MR. CHOU EN-LAI, the Prime Minister of China, arrived in the Indian capital for a 12-day tour of the country on November 28th, almost a year after the visit of Mr. Bulganin and Mr. Khrushchev. His visit is likely to be less dramatic than the Soviet leaders'; for one thing, he is not a visitor from an unknown land. But it is none the less significant. The timing of the visit and the visitor's itinerary betray its purpose, and the importance that Communist China attaches to it. Mr. Chou En-lai is not visiting India to settle any outstanding dispute between the two countries, as he is in the case of Burma. Nor has he come to participate in the Buddha Jayanti celebrations. Mr. Chou En-lai has chosen to come to this country because China thinks, and not wrongly, that India alone can help it secure a seat in the United Nations and recognition by the United States. It also wants to solicit India's aid in the settlement of the numerous Far Eastern questions like, Korea, Formosa and Indo-China. No solution of these problems is possible until understanding is arrived at between Peking and Washington.

There is, however, a significant reason for Communist China to want to make up with the United States. Since the revolt in some of the Russian satellites during recent months, China apprehends that Russia will not be able to meet its demands for capital goods, as it would be impelled to concentrate on increased production of armaments to keep the satellites under its iron heel. It, therefore, has urgent need of developing commercial relations with the United States. It would not be surprising if it was to placate the United States that Mr. Chou En-lai recently announced free entry into Chinese mainland for every Formosan and a high position for Marshal Chiang Kai-shek—the position must be really very high for Mr. Chou En-lai characterised a ministership as "too low".

With all this, only the incorrigibly naive would see worth in Mr. Chou En-lai's renewed and fervent professions of Panch Shila. Apart from this, who can forget that ever since the enunciation of these principles 2½ years ago, Peking's record, like Russia's, has not been reassuring. In all Asian countries bordering China—Burma, Malaya, Singapore and Indonesia—there has been deep suspicion of Chinese intentions. Is it possible that both the Prime Ministers were aware of this when they publicly confessed that "India and China do not hold entirely identical views on all current problems?" Sardar K. M. Panikkar, who made Communist China acceptable to India and to some other countries, too, seems to have become suspicious of her designs. In his recent book 'Geographical Factors in Indian History' he warns his countrymen "that an organised modern State in Tibet will alter the character of the Himalayas" (which was so far regarded as impregnable). One is led to speculate on whether these differences and suspicions would not mean the beginning of eclipse of Panch Shila in future.

ELECTIONS AND ALIGNMENTS

THE 'UNDERSTANDING' and adjustment' reached by five 'Leftist' political parties in West Bengal, namely, over avoiding a multi-cornered contest with the ruling Congress Party in the coming general elections does not promise anything very spectacular. The purpose of the 'understanding' is loaded with a negative spirit in so far as the original move of forging a united front with a common programme had to be abandoned in favour of the present agreement of a limited objective. Even so, it is not clear if at all the agreement will work in the face of the hostile attitude of one major party towards another in this motley crowd. Developments in the international sphere over the last

two months have not failed to stir serious political controversies in many countries including India where the P-SP leader, Mr. J. P. Narayan, has bitterly attacked the C.P.I. policies. Exchanges of this type between them are not the first, nor may they be expected to be the last, and are not particularly suited to creating an atmosphere of warmth between the two senior Leftist parties, so essential for the success of an election campaign. Obviously, the 'understanding' is only an illustration of the maxim that 'an enemy's enemy can be a friend'; it cannot be carried beyond the elections. That such an alliance will fail to inspire the electorate to rally it round the opposition is too evident to need emphasis. Even the objective of avoiding multi-cornered contests is not likely to be achieved, as parties of the extreme 'Right' will set up their own nominees.

Nobody will doubt the genuine urgency and the eagerness of people to have a strong and effective opposition, with an alternative, constructive programme for the successful running of a healthy democracy. But it is because of the absence of such a programme that the opposition parties in this country are largely at a disadvantage. The P-SP has been very active in trying to pinpoint the defects of the Congress programme, without, however, suggesting any remedies. On land and language policies, it has nothing new to offer. Its main attack is directed to the increasing bureaucratisation and "waste, authoritarianism and red tapism" in the present set-up, but it has yet to say how this can be avoided when the public sector is to be extended, as it wants to do. While the extreme 'Rightists' could never gain any substantial foothold with the general masses, the 'Leftists' seemed, for a time, to make some headway, in the last elections. Since then, however, developments both in the domestic and the international spheres have exerted their influence and the net result seems to be that the Leftists may emerge considerably withered. In a few instances in the past, when the opposition got the opportunity of assuming office, it failed to give a good account of itself. The Avadi resolution of the Congress, and the lavish praise of India's progress by many visiting dignitaries, further took the wind out of the Leftist sails. The dust raised by the States' reorganisation, by which the opposition was likely to profit at the expense of the ruling party, seems to have settled and may not cause any serious shifts in the voting intentions even in the affected States.

INDIA, CANADA AND THE COMMONWEALTH

SINCE THE Anglo-French aggression in Egypt, serious cracks have appeared in the Commonwealth structure. The Government of India come out openly to condemn the aggression in strong terms. But she was not alone in this. Canada, which had "a very special relationship of intimacy and friendship with the old members of the Commonwealth, including the United Kingdom", and which "had nearly always been in substantial agreement" with that country also regarded the Anglo-French aggression in Egypt with displeasure. Mr. L. B. Pearson, Canada's Secretary of State for External Affairs, recently remarked that members of the Commonwealth had to be very careful when they talked about "unity of Commonwealth and co-operation within it." He reminded them "never to forget that there are three Asian members of that Commonwealth".

Mr. Pearson remarked, and rightly that, if Canada had not taken the stand she did, she would not have been in a position to perform the task of "restoration and reinvigoration of the Commonwealth", and of bringing the members of the Atlantic Alliance together. In these tasks India, too, could play an important role. She is, like Canada, a spiritual heir of the West liberal tradition. Similarly, while India is the leader of re-

surgent Asia, which is wedded to democracy, Canada is an important member of the Atlantic Alliance. Considering the position that India and Canada at present enjoy in world counsels, we hope that during Mr. Nehru's sojourn in that country, a common programme for strengthening the Commonwealth and free world through closer economic and cultural contacts will be chalked out.

SUHRWARDY'S OUTBURST

A DEPLORABLE feature of the tortuous course of Pakistan's politics is the unseemly hostility shown by her successive Prime Ministers towards India. During the last nine years, seldom has an opportunity been missed to divert people's attention by bringing some extraneous issue to focus whenever the domestic situation got out of hand. But Mr. Suhrawardy's latest performance at Lahore explaining his country's foreign policy is indeed 'sui generis'. The burden of his song is that Pakistan's participation in military alliances and especially the Baghdad Pact is essential as Pakistan stands the danger of attack from India. But that is not all. Elaborating why his country could not remain "neutral or weak" he pointed that in that event "we may have to give up our rights on Kashmir or canal waters and in our despair we may have to bow our heads to a superior and more powerful neighbour." Mr. Suhrawardy has thus let the cat out of the bag even while trying to draw a lurid picture of the "powerful neighbour's" sinister intentions!

To any discerning student of Indo-Pakistan politics, it will be obvious how fantastic is the idea of India's aggression on Pakistan at any time. Mr. Nehru in his speech at the Rajya Sabha easily pricked the bubble. "When we are busy with schemes of development etc.", he said, "it would be a person who can only be described as a fool or a lunatic who would put aside all this work and indulge in adventures of that kind." The fact of the matter is that Pakistan, which has alienated the sympathies of the Arabs by her stand on Suez and her support of Anglo-French invasion of Egypt, has tried to find some justification of her alliance with the Baghdad Powers. By showing to her people that the alliance will help her to dictate terms to India based on a position of strength on Kashmir and canal waters dispute, Mr. Suhrawardy hopes to retrieve his lost prestige. The international crisis can also be exploited to foment trouble in Kashmir which may bring the U.N. in the picture in some form or other. If Britain and France can use the arms of NATO for their aggression with impunity, what prevents Pakistan from using the U.S. arms for her own ends in Kashmir? These are some of the calculations that might have prompted Mr. Suhrawardy to indulge in his latest campaign of the "threat to his country's safety and territorial integrity." It will be a great gain to world peace if, after the forthcoming Nehru-Ike meeting, the U.S. puts Pakistan in her place vis-a-vis India.

GAITSKELL'S WISDOM

MR. HUGH GAITSKELL'S views on the Eden Government's conduct in Egypt expressed in an exclusive interview to the London Correspondent of 'The Hindustan Times' are to be applauded for their frankness and wise approach to the problem. Mr. Gaitskell has endorsed the view held by most of the world, including presumably the United States, that a peaceful and reasonable settlement of the Canal issue was possible only on the basis of the Indian proposals. The suggestion made by Mr. Gaitskell that a close contact be maintained between India and U.S.A. in dealing with the issues arising from the use of force by the Anglo-French Governments against Egypt is worth consideration, possibly at the coming Nehru-Ike meeting.

The Tory British and French diplomacy fails to convince that there was an alleged Soviet-Egyptian plot to capture the Middle East for Moscow, which

prompted Britain to launch an attack. Even if this threat existed, Mr. Gaitskell asks, what had prevented Britain and France from informing the U.N. or at least the United States of the existence of this threat. Have the Tories got any answer for it?

Dealing with the Baghdad pact question, Mr. Gaitskell affirms that it was objectionable on the ground that the British based their Middle East Policy upon it and thereby gave the impression that they were trying to control other Arab States in this way. Incidentally it coincides to some extent with the views held by the Indian Government which is opposed to the Baghdad pact in principle.

The demand that the British Government should put itself at the disposal of the U.N. is the right stand taken by Mr. Gaitskell in regard to the withdrawal of Anglo-French forces from Egypt to which every one in this country would lend support. And so there should not be any question of estrangement between India and Britain or quitting the Commonwealth when the leader of one of the two main political parties supports and acknowledges the stand taken by India concerning the Suez settlement issue and other allied matters. The rift in the Tory party itself is some proof that more and more people in Britain are coming to rely on Mr. Gaitskell's judgment. There is no reason, therefore, for India to drift away, particularly at a time when it is highly probable that the next Government in Britain would be a Labour Government.

DISARMAMENT: RUSSIA'S DIVERSIONARY DEVICE

RUSSIA'S CALL for a summit disarmament conference of the Big Four 'and India' was not unexpected. Such a dramatic move by her was necessary to re-establish her shaken prestige among the peoples of the world, especially the Afro-Asians, and to divert attention from her forcible capture of Hungary. Soon after the publication of the proposals, Soviet earnestness for peace was belied by the timing of yet another atomic test by her. Simultaneously came her blunt refusal to allow the UN observers in Hungary and Mr. Khrushchev's outburst against the West.

If the timing of the Soviet proposals was inopportune, their theme could hardly deceive any keen observer of her double-faced policy. The only new suggestion was the partial acceptance of President Eisenhower's 'open skies' plan: Russia's offer of a thousand-mile aerial inspection, spanning the East-West frontier in Germany. Her aim obviously is to attempt to kill two birds with one stone. Russia seems to be eager to create a buffer zone now because of the virtual loss of the satellite armies after the recent revolts in Hungary and Poland. In fact, Russia's European frontier has today become tenuous and stands in danger of being lost altogether. The acceptance of the Russian suggestion by the West would make the vital West European defences vulnerable. At the same time the armament installations inside the Soviet Union would continue to remain shrouded in mystery.

Soviet refusal to permit aerial photography over her territory remains as rigid as before. The question arises: What is it which Russia wants so much to conceal? Her offer to scrap the Warsaw Pact if NATO is wound up is a continuation of the old theme on "foreign bases", adopted presumably to cloud the basic causes that made these bases inevitably necessary for the West. Winding up the two pacts would leave the Soviet forces on that country's traditional western border, and push the US troops out of Europe. In the vacuum thus created the Soviet rulers probably hope to find a fruitful field for subversion of governments. The statement of the Soviet Union—that she "could accomplish the military aims ascribed to it in Western Europe even without the use of modern nuclear and rocket-weapons"—would, in fact, be a warning. The West is least likely to fail to take it into account.

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A Window on the World

THE CLUE TO THE "SOCIALISTIC" MUDDLE

By
ODYSSEUS

IN OUR ATTEMPT to ascertain, for the benefit of the many readers of "The Eastern Economist" outside India, whether or not India is a socialist state, one group of people who might be expected to be able to give a straight answer would be members of India's Socialist Party. Let us then see how they reacted to the proclamation of a "Socialistic" pattern of society as the Congress party's objective at the Avadi congress in January, 1955.

Both the Socialist and the Communist parties felt the challenge of the resolution within a matter of days. The Forward Bloc decided that the moment had come to make its peace with the Congress and to ask for re-admission to the parental fold. But if you consider that this is clear evidence that the Congress is now a Socialist party, you must then explain the further reactions of the Communists and of the Praja Socialist Party. The Communists attacked the Congress policy as fraudulent. "This grandiloquent talk," said the official Communist "New Age," and "scrupulously confined to generalities and not one issue of immediate urgency for the relief of the people was allowed to be taken up.... As the days pass, the masses will be able to see through the smoke-screen of Nehru's 'Socialism' that all this is being done with an eye on the ballot box two years hence."

The Avadi resolution knocked the Praja Socialist Party (P.S.P.) sideways. The party had for some time not been finding it too easy to hold together. Shri J. P. Narayan's leadership was unquestioned but he was spending so much time on Bhoodan affairs that the day-to-day leadership had fallen to a number of able men who agreed on their aims but often differed on the means of attaining them. The Avadi challenge evoked discordant noises from the P.S.P. orchestra.

Asoka Mehta, whom the authors of "Indian Approaches to a Socialist Society" (Berkeley Univ. \$1.50) describe as "the epitome of responsible opposition", welcomed on January 16, 1955, the Avadi resolution as evidence of the Congress trend towards Socialism and "vindication" of the P.S.P.'s policies. He urged the P.S.P. to cash in on the opportunity now provided by the Congress to educate the people in democratic Socialism. But on the same day, another P.S.P. leader, Dr. R. Lohia, gave diametrically opposite advice. He scoffed at Pandit Nehru's Avadi speech: for seven years the government had been taking money from the rich and votes from the poor (an echo of the old definition of the art of politics: "The ability to use the poor to scare the rich into subscribing money to the party and to use the rich to scare the poor into giving votes"). Dr. Lohia urged Socialists to unite to change India's economic and political structure by revolutionary means. He said that party lines should be re-drawn in accordance with their ideologies. As long as a minimum and maximum was not laid on incomes, all talk of equality was "unitarian Vedantism coupled with the caste system" (a sentence the meaning of which escapes me). Dr. Lohia claimed that all the major parties were "riven with differences" and it was a "fraud on India's millions that they should continue". For a "healthy political life in the country" all parties should be split. None "should be allowed to continue an in-

dependent existence unless it can prove its independence in principles and actions."

PARALYSING CONFUSION

The late Acharya Narendra Deva, at that time the P.S.P. chairman, stood half-way between these two. He said the P.S.P. agreed with Marx that Socialism could only be achieved by class struggle and with Gandhi that the struggle must be peaceful. The P.S.P. stood for social ownership (as opposed to state ownership) of the means of production, but rejected Gandhi's trusteeship theory of property. Bhoodan was good because it recognised the tiller's claim to his land and created political consciousness among landless labourers, but Bhoodan could not by itself solve the agrarian problem and it would not work at all in industry. Narendra Deva said that Pandit Nehru was "genuinely devoted to the cause of Socialism" but the P.S.P. distrusted the professions of the Congress party whose mixed membership made it "essentially a party of the Right". The Communists, on the other hand, had forfeited any claim to be Indian Socialists by their external loyalties, adherence to violence and disruption, and their opportunist tactics.

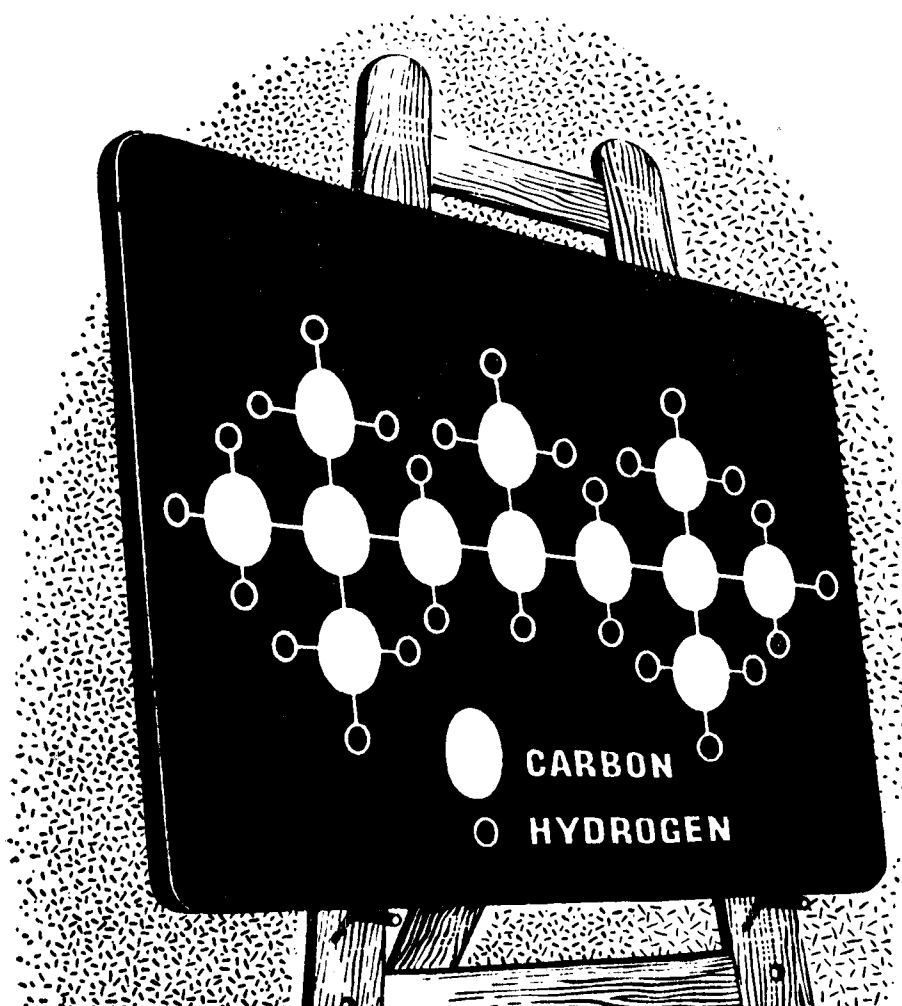
In the following weeks, the P.S.P. was paralysed by internal dissensions conducted in public, which were a delight to its opponents and a dismay to sincere Socialists. So that, whatever the intrinsic merits of the Congress party's proclamation of a Socialistic pattern, it had at least the political merit, from the Congress viewpoint, of having (as Disraeli said of Sir Robert Peel in 1845) "caught the Whigs bathing and walked away with their clothes".

Philip Spratt, the ex-Communist anti-Communist, in an article gruesomely entitled "The Psycho-pathology of Indian Socialism", published in "Thought" in August, 1955, made some observations as shrewd as they were agreeably unclinical. He considered that the predicament of the P.S.P. was identical with that of Social Democrats in all countries: how to maintain the party's "sense of separateness" in the face of the welfare achievements of the bourgeois state. In relation to Nehru's India, he pointed out that Indian Socialism had never felt "even that degree of alienation that stimulated the British Labour party in its earlier years". No social barrier had ever stood between the "haughtiest Congress potentate" and such Socialist leaders as J. P. Narayan, Narendra Deva, or Asoka Mehta. As the Congress party increasingly adopted welfare policies, "whatever barrier there was almost vanished and Lohia himself has been unable to convince anybody that it is a reality".

To the Socialist "even the one that repudiates Marxism", Mr. Spratt said, Socialism was a "matter of religious seriousness", but both the Congress party and the general public "pronounced the word in an unemotional tone" and he summed up the attitude of the Indian public towards Socialism thus: "they don't care what kind of Socialism it is; they will have it on one condition; that it is run by Jawaharlal Nehru".

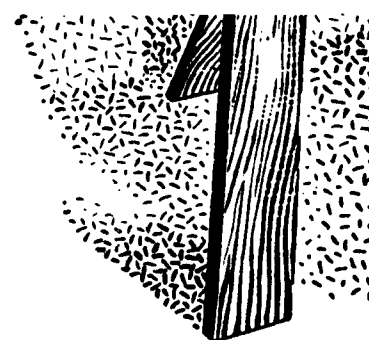
WHERE SPRATT AND INDIA AGREE

Mr. Spratt drew the thought-provoking moral that India needed an Opposition party "loyal to the consti-



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tution and to the spirit of democracy" which would stand "not for more Socialism but for less".

It is Mr. Garvin, of the Federation of British Industries, who supplies a sad comment on Mr. Spratt's moral when he writes that the financial and other difficulties that impede the emergence of any other all-India party capable of forming an alternative government are so great that the possibility seems remote.

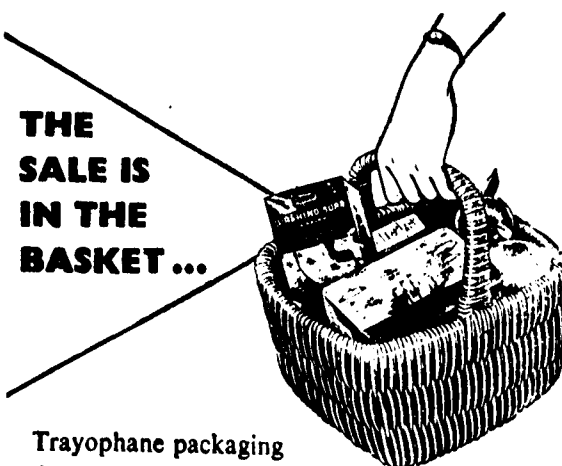
I have no hostility towards the Congress party, so that I feel all the more free to agree with Mr. Garvin in regretting an effective alternative government. Most people think that the Congress is likely to be returned with majorities in the Centre and in most states at the next election. But this prolonged continuation of one-party government cannot be healthy for Indian democracy. If you never use a limb it atrophies. Mr. Garvin records some awkward facts: "...There is a curiously monolithic character about the Congress party, and the way things work strikes the observer who is used to Parliamentary democracy in Britain as peculiar. All major political decisions are, for example, taken by extra-Parliamentary, even extra-governmental, means. A question such as the future status of the city of Bombay arises. The Working Committee of the Congress party, popularly known as the 'High Command', meets. Prime Ministers of states, cabinet ministers, and Parliamentary leaders travel from all over India to submit their cases and be heard. The Working Committee considers the matter, a decision issues, and that is that. It is for the cabinets and legislatures concerned to get on with the matter and implement this decision. Occasionally objecting members of legislatures, and even sometimes a cabinet minister, resign. Their resignations are not accepted. Instead they will be called upon by a high party official to recant. The terms of the public self-criticism required of them will be laid down, and every effort made to see that these are complied with and that the erring members are reclaimed to the fold. Disquieting as these symptoms of an East European People's Democracy are, it is probably a mistake to read too much into them. Nevertheless one cannot entirely escape the feeling that the sooner India develops a genuine two-party or multi-party system, the better it will be, for it is clearly not good for the prestige of Indian Parliamentary institutions that all the real decisions seem to be taken elsewhere."

Never has the value of the democratic two-party system been more strikingly displayed than over the British intervention in Egypt. Eden's policy caused dismay among Britain's friends throughout the world and if Britain were governed by a one-party system, as India is de facto, the British Government and people would have been irrevocably identified with Eden's policy, with the result that Britain might have provoked dire, but in the longer run unmerited, reprisals upon herself. However, the British Opposition's immediate promulgation of an alternative policy, made with full official authority as "Her Majesty's Opposition"—a phrase as delightful to the ear as it is of the highest constitutional importance—gained time for wiser counsels, enabled the Commonwealth to hold together, and gave the UNO a breathing space in which to regroup its own tattered authority.

These reflections spring as much from Mr. Spratt's penetrating observation that what India needs is a constitutional opposition party, which would stand not for more but less Socialism, as from Dr. Lohia's view that no party should exist without clear cut principles. If we bring these two thoughts together we shall have found the clue to the hair splitting over "Socialist" and "Socialistic" and the ideological muddle in which we are floundering. The claim of most Indian parties

to be at least Socialistic confuses public opinion, and the lack of a clear cut non-Socialist (but democratic and progressive) party prevents one important contribution to the clarification of aims and thought from being made.

Previous articles in this series were: "Why Socialism Came to India" and "Is India a Socialist State?". Next week's article will be: "What is Sarvodaya?"—(ED.).

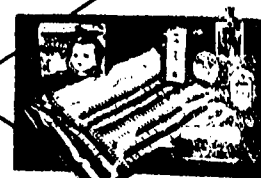


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BUILD EUROPE, BUILD THE BOMB

(From Our Special West European Correspondent)

PARIS, November 30.

WHILE Britain and France are licking their wounds after their dusty encounter with Russia and the United States over Egypt, politicians here have revived the cry, "Build Europe, build the bomb". All this would never have happened, they say, if Europe had been united and if France had had a bomb of her own—an atomic, or even better a hydrogen, bomb. M. Pineau had the latter in mind when he accused the U.N. (perfectly justly, of course) of applying one moral standard to powers that possess the atom bomb and another to those who do not. Moreover at a time when all West Europe, not only France and Britain, are suffering from a petrol shortage as a result of the Middle East war, the old arguments for European unity are brought out in new form. There is even the sophistry put about that because Franco-British action has landed all West Europe in a fuel shortage, this proves that France and Britain all along were fighting for general European interests—so Europe should unite. This astonishing argument might be accepted by Germans, Swedes and Danes in a rather different sense: as proving that Europe should unite precisely to stop France and Britain "defending" its interests in this way.

The illusion that European unity would enable the older Western democracies to take a stronger and more independent policy in a world dominated by the Russian and American blocs has received a new impetus, and is not confined to this country. Even in Britain, where European unity has long been a scare-crow, the illusion is gaining recruits. "The News Chronicle" wrote lately, "One hears a lot of talk these days about the Afro-Asian, U.S.-Latin American, Arab and Communist blocs, which all vote together in the U.N. Is it not time that there appeared a European bloc, with Great Britain as the senior partner?" Increased enthusiasm for European unity was seen as the explanation for the good reception Mr. Macmillan got in the Commons last week for his plans for limited association with the Common Market project.

M. Guy Mollet, who is a fervent "European", is under pressure from the right wing of his majority to go faster with plans for European unity. He has just declared that a united Europe must be built "within a year", and the architects of Euratom, which is regarded as one of the main instruments of Continental unity, are hoping that this treaty will be signed and ratified before the West German elections of next March. However illusory may be the claim that European interests would have been better defended in the Middle East if unity had been achieved, we can expect to see such schemes as Euratom and the Common Market pushed ahead with greater vigour in the near future. European unity proposals always prosper best when some threatening outsider can be represented as forcing unity on this Continent; thus, for years Stalin was the man to unite against, and now Colonel Nasser (or more exactly the Russo-American co-operation that he stands for) is to serve as the bogeyman.

Further, in France at least, attachment to European unity is usually a sign of discouragement and isolation. When the French feel themselves well governed, vigorous and prosperous, they forget about uniting with their neighbours; this is why the two symbols of French renaissance, General de Gaulle and M. Mendes-France, are both firm opponents of European unity. But when they feel badly governed, demoralised or

deserted by their major allies, then the unity talk revives spontaneously. When France and Britain received their first humiliation from Nasser with Mr. Dulles's help, after the nationalisation of the Suez Canal, European unity was brought out as the panacea. But once the Entente Cordiale got going on plans for the invasion of Egypt, European unity was forgotten, and even such a good "European" as Guy Mollet forgot to consult the European steel and coal authority about the Eden-Mollet war plans, although West European fuel supplies were obviously going to be jeopardised. Now that the invasion has ended in virtual defeat, European unity is in the air again, with no more enthusiastic advocate than Guy Mollet himself.

Lastly, unity plans gain favour in this country exactly as the United Nations loses favour, and in fact it is often the same people who urge European unity as recommend quitting the U.N. French public opinion in the last month has been largely in favour of leaving the U.N., not just walking out and waiting behind the door to be called back, as M. Antoine Pinay did last year, but really quitting for good and all. If M. Mollet had decided on this course a few weeks ago, as seemed possible, he would have had most of the country with him, especially if he had matched this move with some grandiose plan for real European unity. The fact that almost every day for a month, leading politicians and commentators have urged that it would be to France's advantage to stay in the U.N. (at least until European unity was a fact, not a dream) is not inconsistent with this: they felt obliged to defend the U.N. just because public opinion was so heartily against it. Some of the arguments used to defend the United Nations have been curious. For example, a former French Prime Minister, M. Paul Reynaud, last week had this to say in its favour: "Our justified complaints (against the U.N.) should not stop us seeing that there is forming inside it a real world opinion, such as recently forced Mr. Nehru to change his favourable attitude to Russia in the Hungarian drama". We have heard some odd apologies for the U.N., but never before that its virtue was to keep Mr. Nehru in line!

The claim that French or European policy would have been more effective this autumn if France had had the bomb can be disposed of at once; Britain has the bomb, but it was Eden who gave in to Russian and American threats even before the French. Britain and France are outclassed today, and have to surrender the right to an independent policy in dealing with smaller nations like Egypt, not just because the Big Two have bigger bombs but because of the whole economic and industrial superiority of Russia and America, a superiority of which the possession of hydrogen bombs is only one symptom. Further, building Europe and building the bomb are inconsistent objectives: if France is really to unite with her Continental neighbours, her right to a private atomic programme will be the first casualty. The idea that Europe could ever be so united as to build its own joint bomb is fantasy; it supposes for example the disappearance of all French suspicions of Germany.

The confirmed "Europeans" reply that, even without a bomb, European unity is more necessary than ever. The bomb does not really matter because it will never be used, and certainly could not be used against a united Europe. Meanwhile enough political unity could be achieved to deal jointly with such threats as

Nasser and his Russo-American supporters, and enough economic unity could be attained to face the industrial giants of Russia and America, especially in such spheres as contributing to Afro-Asian development. To this it can be answered that even granting that some considerable measure of unification is possible in Europe, it could never be great enough to match the unity that Russia and America have, because they are single, natural, united nations. Adding up figures about West European population and economic resources proves nothing; even if such arithmetical totals equal or exceed Russian or American figures, the fact remains that one is a figure on a sheet of paper and the others are national realities.

And there is a point that economists will readily appreciate. Large national economies today, such as exist in Russia and America and such as India is seeking to build, depend on what a Keynesian would call "global" management of the economy; this might not be centralised planning, but it does suppose central control of financial, monetary and population policies. Now the step-by-step progress toward European unity, which is the only sort of progress imaginable, means setting up international authorities like the coal and steel authority or the atomic energy organisation which, by design and by definition, are removed from control by the global managers of the national economies and yet do not fall under the control of an international global authority because none such exists. In practice, therefore, the prices and production of coal, steel and power might be determined "internationally" but such determinations have no reference to any overall policy, as they have for example in India today. The individual governments lose control over coal and steel prices, but no other central planning authority replaces them in this function. So the step-by-step way to European unity is not progress but, from the economists' point of view, plain retrogression. It carries Europe away from, not toward, the real unity on which great modern economies are based, and no amount of talk about international co-operation can hide this. To be really progressive, economically, European unity would have to be achieved totally and at once; and that is of course impossible.

European unity, then, is a reactionary policy, though this does not mean that such things as the Common Market might not have some advantages—but as long as wages policies and welfare programmes, which have so large an influence in prices, are not co-ordinated, one may doubt whether the Common Market will ever come to life in any useful degree. Politically too, unity would probably be reactionary, especially from the point of view of its advocates who imagine that a united Europe would take a stronger stand against such as Nasser. As I suggested above in regard to petrol, a united Europe would be much more likely to force compromise and withdrawal on the more ambitious nations. Thus it would force Germany to accept the Oder-Niesse frontier; it would force France to get out of the Arab world, and it would oblige Britain to quit Cyprus. United Europe might indeed be the best way of resigning oneself to the relegation of European power by the Big Two, but it is not a way of finding an active, aggressive answer to them. And it would be thoroughly reactionary if it consisted only of a united West Europe, thus consecrating the division of this Continent into two camps just at the moment when there appears a hope that Russia could be brought to give some independence to her satellites.

The only united Europe that makes sense is one that would be completely European and not very united, that is, which included every nation in this region from Britain to Rumania and from Finland to Cyprus, and which was neutral as between the two great power

blocs. There is just a chance that Russia and America would agree to accept this—look, for example, at the area included in the Russian amendment to Eisenhower's "open skies" plan, and you will see that it covers roughly this region, omitting both Russia herself and the United States. But this is not the united Europe that is dreamed of by those who are disappointed at Franco-British impotence before Russo-American pressure and imagine that some stronger and more active third unit could be formed.



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WORLDGRAM

AGRICULTURE

Tube-Wells under T.C.M. Programme: The number of tube-wells so far sunk in Bihar under the T.C.M. Programme was 385 out of which 321 had been energized so far. The acreage of land that was irrigated by them in the year 1955-56 was 9730 and more land was likely to come under irrigation during 1956-57. The average capacity of each of these tube-wells was 400 acres in North Bihar and 450 acres in South Bihar.

Removal of Paddy by Jiratia Tenants: The Government of India, it is understood, have not imposed any ban on the removal of paddy by Jiratia tenants from Tripura to East Pakistan as provided in the Trade Agreement between India and Pakistan. The agreement permits the removal to East Pakistan of 40 maunds of paddy per family by Jiratia and the export is to be covered by permits issued under the Tripura Food-grains (Movement) Control Order, 1956. It is understood that the Chief Commissioner of Tripura has issued instructions to all local officers that Jiratia tenants may be allowed to remove 40 maunds of paddy per family from the present harvest and that permits should be granted on application.

Agricultural Schemes: Over 200 schemes costing about Rs. 1.8 crores concerning agriculture, animal husbandry and fisheries have been sanctioned by the Advisory Board of the Indian Council of Agricultural Research. In all about 300 proposals, including new schemes and extension of current schemes were considered and finally about 200 schemes were approved involving a total expenditure of about Rs. 1.8 crores. Important among the proposals approved by the Board related to a co-ordinated scheme for the reclamation of saline and alkaline lands on all-India basis; regionalization of horticultural research into five zones, with a Horticultural Research Station in each region to work in close collaboration with the State research institutions; and intensification of research on six important fruits, namely mango, citrus, grape, guava, pineapple and apple.

INDUSTRY

Bharat Electronics' Production Scheme: In a reply to a question by Shri Shivananjappa in the Lok Sabha, Shri Mahavir Tyagi, Minister of Defence Organisation, affirmed that proposals were under consideration for the production of Quartz crystals and X-ray equipment by the Bharat Electronics Limited. It is estimated that quartz crystals worth approximately Rs. 5-10 lakhs (depending on the type of crystal) will be produced annually. A scheme to manufacture X-ray equipment worth about Rs. 50 lakhs annually is under consideration. If this scheme is approved, X-Ray equipment worth approximately Rs. 50 lakhs per year will be produced by BEL. It is reported 400-W.H.F. transmitters were also being produced there.

Manufacture of Cement to I.S.I. Specifications: The Indian Standards Institution has recently granted a licence for the use of its Certification Mark on portland cement bags to Messrs. Shree Digvijay Cement Co., Ltd., Sikka (near Jamnagar). This is the first licence granted by the Institution to a cement factory. The Standard Mark, to be applied to gunny bags in which cement manufactured by the firm is packed, will certify that the contents satisfy all the requirements given in the relevant Indian Standard for portland cement, viz., IS: 269-1951. The Standard Mark consists of the monogram of the Indian Standards Institution, the number designation of the Indian standard

being inscribed in the top side of the monogram. The Certification Mark of I.S.I. became available to industry in 1955 and so far I.S.I. has granted 20 licences in various fields. The Institution has under consideration more than 100 other applications for grant of licences in respect of chemical, metallurgical, engineering and building materials.

Draft Specification for Technical Borax: The Indian Standards Institution has circulated a draft Indian standard specification for borax, technical, for eliciting comments. The draft standard prescribes the requirements and methods of test for borax. Details of the sampling procedure and analysis have been included in appendices to the draft. I.S.I. will entertain comments on the draft standard till February 14, 1957.

Increased Production of Automobiles: The total number of automobiles produced in India in the first nine months of 1956 exceeded the number of vehicles manufactured in the whole of 1955. The comparative figures are 23,791 automobiles and 23,084 vehicles. All the six approved manufacturing firms were Indian Companies. Out of these, three Companies had no foreign capital. In the case of the other three foreign firms, which were collaborating technically, had invested in the capital of the Indian Companies but the majority of the capital was Indian. Total Indian capital in these three firms was Rs. 12.98 crores and foreign capital Rs. 98 lakhs.

TRADE

Larger Exports of Indian Handloom Fabrics to USA: Possibilities of increased exports of Indian handloom fabrics to the United States have been indicated by the three-member Handloom Survey Team for export to America which has just completed a two-month intensive tour of important handloom weaving centres in India. The team has reached the conclusion that India has a large potential production of handloom fabrics for export. The team has suggested that the standards of quality should be improved starting with the dyeing of yarn and continuing through control of production, finishing and export packaging. The standard of production quality and export inspection must be such as to make India's handloom fabrics fully comparable in quality standardisation with the output of the leading textile producing centres of the world. The raw materials used in the handloom fabrics and the dyes used to process the raw materials should be of the highest quality. The team has suggested an organisational set-up to achieve quality improvement and standardisation required for the American market so that the required type of cloth can be produced in India and marketed in the United States.

Coffee Exports: The Minister for Trade, Shri D. P. Karmarkar, stated in the Lok Sabha recently that the balance stocks of coffee available with the Coffee Board at the end of October 1956 amounted to 9730 tons. Large surpluses were not available with the Coffee Board for export. A further quota of 4,000 tons of coffee had been released for export in July this year out of the 1955-56 stock. With this the total release of coffee for export was 8,100 tons. The balance stocks with the Board were considered necessary to meet the internal requirements during the next two months and to provide a satisfactory carry-over for 1957 to meet the internal demand until the 1956-57 crop became available for release.

FINANCE

State Finance Corporations: Shri T. T. Krishnamachari, Union Minister for Finance, in a written reply

to a question whether the State Financial Corporations were bound to pay taxes to the Income-Tax Department, even if the profits earned by them were inadequate to pay the guaranteed dividends to the shareholders revealed in the Lok Sabha that for the purposes of income-tax, State Financial Corporations were treated as companies within the meaning of the Indian Income-Tax Act, 1922 (XI of 1922) and were liable to Income-Tax and Super-Tax on their income, profits and gains vide Section 43 of the State Financial Corporations Act, 1951. Amounts paid by State Governments under the guarantee given in pursuance of Section 6 of the State Financial Corporations Act, 1951, he added, were not treated as income, profits and gains of the Financial Corporations. These were, therefore, not taken into consideration for calculating Income-Tax.

*

Finance Commission's Interim Recommendations: The Finance Commission constituted in June last, under Article 280 of the Constitution, has submitted their interim recommendations for the year 1957-58. The Commission have so far visited three States, viz., Assam, Orissa and West Bengal. As it would not be possible to frame final views until they have completed their discussions with the other State Governments, interim recommendations have been made to enable the Central and State Governments to frame budgets for the ensuing year.

*

Indo-Pakistan Banking Agreement: Six displaced Indian banks have so far sought assistance for the disposal of the immovable property worth Rs. 28.76 lakhs owned by them in West Pakistan but no report has yet been received of the actual disposal of the property belonging to any of these banks, according to Shri Arun Chandra Guha, Minister for Revenue and Defence Expenditure, in reply to a question in Lok Sabha recently. Replying to the question whether any action had been taken on the recommendations made in September, 1956, by the Joint Implementation Committee set up under the Indo-Pakistan Banking Agreement of 1956, the Minister said that most of the banks affected being Indian, the implementation of the recommendations of the Committee would depend mainly on the action taken by the Pakistan authorities with whom the matter was under correspondence. Whatever action was possible on the part of the Government of India was being taken. Government had already conveyed their approval to the Government of Pakistan in respect of those recommendations which required the approval of both the Governments.

*

Small Savings: The formation of Central and State Advisory Committees, expansion of the National Savings Organisation, introduction of new types of investments and extension of the Authorised Agency Scheme, were some of the important steps that are being taken to intensify small savings campaign. There is also a proposal to introduce "Internal Agency Scheme" in factories to encourage Small Savings. Under this scheme some persons working in the factories would be appointed by the heads of establishments to promote the small savings movement among the factory employees. These agents would be entitled to a commission on 1½ per cent of all investment in 12-year National Savings Certificates and 10-Year National Plan Certificates secured by them. Such agents would be appointed in Government and non-Government offices, institutions, mills, factories, etc. and they were expected to commence functioning shortly throughout the country.

*

Foreign Aid to India: Shri B. R. Bhagat, Deputy Minister for Finance, in a written reply to a question by Shri L. N. Mishra about the amount of foreign aid received and promised for the execution of the second Five-Year Plan revealed in the Lok Sabha recently

that approximately Rs. 269 crores, inclusive of spill over from the first Five-Year Plan, excluding the World Bank Loans and loan assistance for the steel plants, had been received and promised for the execution of the second Five-Year Plan. The USA, including US private organisations such as Ford Foundation and Rockefeller, Canada, Australia, New Zealand and Norway were the countries that had offered aid to India.

*

Evaluation of Evacuee Properties in Punjab: Evaluation of evacuee properties in the Punjab is in progress and out of about 1,55,000 urban evacuee properties, nearly 66,000 had been evaluated up to October 31, 1956. Classification of properties as allotable or non-allotable depends on their value. Delay in valuation is mainly due to the shortage of technical personnel. Efforts, however, were being made to speed up the work.

GENERAL

Foreigners in India: The total number of foreigners in India on January 1, 1956, was 44,557 according to a statement laid on the table of the House by Shri B. N. Datar, Minister of Home Affairs, in a written reply to a question. Bombay had the largest number of foreigners, viz. 15,581, followed by West Bengal with 13,023, Bihar was third with 2,757. The occupations followed by foreigners were business, missionary work, studies, medical and social work and as tourists.

*

Pondicherry Pier Project: The new Pondicherry Pier Project is estimated to cost nearly Rs. 35 lakhs, including the cost of the land. Designed by Indian engineers, the proposed pier will project 1,200 feet into the sea. The most modern of its kind, it will be one of the longest in India. With a width of 200 feet, it will accommodate two lines of trolley traffic. The new pier will be equipped with the most up-to-date mechanical appliances, such as electric cranes, mobile crane, and a diesel locomotive for mechanically hauling the trollies. The port will be served by a metre-gauge railway connected to the main railway system. With the developments now proposed, the Pondicherry port is expected to rank as an important intermediate port in South India capable of handling 200,000 tons of cargo per annum.

*

Extension of Employees' State Insurance Scheme: Another 16,000 employees will benefit under the Employees' State Insurance Scheme from the mid-night of December 1, 1956. A decision has been taken by the Government of India to extend the Scheme to Jaipur, Jodhpur, Bikaner, Lakheri, Pali and Bhilwara in the State of Rajasthan. The Scheme is already in operation in 42 centres in the country and at the moment covers about 10.95 in lakhs of employees. For the administration of the Scheme there will be one local office each at Jaipur and Jodhpur and one sub-local office each at Lakheri, Bikaner, Bhilwara and Pali. Medical care will be provided by the State Government under the Service System, and for this purpose six whole-time dispensaries (two in Jaipur, one each in Bikaner, Jodhpur, Bhilwara and Pali) have been set up. At Lakheri medical facilities provided by the Cement Factory will be utilised for the insured persons. According to a Government of India's notification issued on November 1, 1952, the rate of employer's special contribution was fixed at 1½ per cent of the total wage bill for areas where Chapters IV and V were brought into force. The provisions of these Chapters are being enforced in the areas of Jaipur, Jodhpur, Bikaner, Lakheri, Pali and Bhilwara. Employers of factories covered under the Scheme in these areas will, therefore, be required to pay the employer's special contribution at the enhanced rate i.e. at 1½ per cent of the total wage bill instead of ¾ per cent at present.

NEWS IN BRIEF

INDIAN

The production of typewriters in the first nine months of this year reached the figure of 9,712. The production of typewriters, which began in July 1955, amounted to 1,630 last year.

*

Shri Ajit Prasad Jain, Union Minister for Food and Agriculture revealed in the Lok Sabha recently that the Central Government propose to establish a brackish water experimental fish farm in West Bengal during 1956-57 for investigations connected with the work of Central Inland Fisheries Research Station, Calcutta. The cost involved is about Rs. 19,000.

*

The Government of India have appointed Messrs. Vitro Engineering Division of New York, as technical consultants for the Rs. 22-crore Nangal Fertiliser-cum-Heavy Water Project.

*

A major portion of the supplies of shoes worth Rs. 1,18,05,000 to the Soviet Union, for which an Agreement has been concluded by the State Trading Corporation of India, will be made through the National Industries Corporation. The Corporation will execute the orders through co-operative societies, small shoe making establishments as well as individual shoe-makers.

*

Under an agreement signed recently twenty-six Soviet experts will be arriving in the middle of next month to assist India in its oil exploration programme.

*

A total provision of Rs. 5 crores, had been made in the second Plan for public co-operation activities. Assistance was also available for activities such as prohibition, small savings drive, publicity for public co-operation work, shramdan, educating the public against corrupt practices and sanitation.

*

The total amount at present sanctioned by the Government of India for the exploration of ground water resources was Rs. 1.2 crores plus \$4.05 million contributed by the US Government under the Indo-American Technical Co-operation Programme.

*

Two hundred and sixty-three Indian trainees are undergoing training at present in Industrial establishments in the Federal Republic of Germany.

*

Three firms engaged at present in the production of motor cars in India have a total capacity of 33,000 cars per annum.

*

The total cattle population in India in 1952-53 stood at 15,50,99,000 out of which 4,98,48,000 were cows and 2,18,42,000 buffaloes yielding about 51,00,00,000 maunds of milk per year.

*

Rupees 67.93 crores were collected towards Small Savings Scheme investment and Rs. 9 crores towards the Ten-Year National Plan Certificates during 1955-56.

*

The Government of India have decided, in consultation with State Governments concerned, not to levy any royalty on the bye-products of salt recovered during salt manufacture on Government lands.

*

The Government of India have reconstituted the Central Board of Secondary Education with a view to raising the standard of Secondary education and carrying out reforms in the system of examinations.

FOREIGN

Negotiations are progressing between British and Spanish banks for the conclusion of a credit of about £20 million to supply Spain with British manufactured hydro-electric and ancillary machinery. An agreement is expected to be reached shortly.

*

The average earnings of factory workers in the US reached a new high of \$82 a week in October 1956. At the same time, a new October employment record of 66,174,000 was achieved.

*

UK output of iron castings in the third quarter of this year was 2 per cent less than the same period last year and 15 per cent below the second quarter.

*

The Japanese Ministry of International Trade and Industry has approved an application by three leading steel companies to raise steel prices by yen 2,500 to yen 4,000 per ton.

*

It is reported, the Swedish bank rate has been raised to 4 per cent from 3½ per cent.

*

Israel exports to France are to be doubled during the coming year under a new trade agreement between the two countries recently concluded in Paris.

*

Pakistan's first industrial credit and investment company sponsored by the Central Government will start operating shortly. The Government has succeeded in negotiating a dollar loan worth Rs. 20 million with the World Bank for this purpose.

*

The Cyprus Government is proceeding as soon as possible with a £2.5 million scheme to extend the island's principal harbour at Famagusta.

*

The French National Railways has issued a 20-year 5½ per cent loan of Frs. 25,000 million (£25) comprising Frs. 10,000 bonds. The interest and redemption price will be partly linked to the second class passenger fare, per kilometre, as a certain guarantee against depreciation of the currency.

*

A 300-room hotel will be built in Guatemala city by Inter-Continental Hotels Corporation, a subsidiary of Pan American World Airways. It will be called the Hotel Tikal after the famous Mayan temple in Northern Guatemala.

*

It is reported fuel oil prices in the Far East have risen following the increase in the Caribbean export prices.

*

Exports of British radio equipment in October, were a record. The provisional total of over £3.9 million was £300,000 more than the previous highest level, in June this year.

*

The Canadian Government has informed the UN Technical Assistance Board that it will increase to \$2,000,000 its 1957 contribution to the expanded programme of the Technical Assistance of the United Nations and the specialized agencies. The amount is \$200,000 above its contribution for 1956.

Special Articles**THE NEW INDIRECT TAXES**

It is believed, often tacitly, that indirect taxes have a special advantage in that their incidence is always widespread, striking a large population with relatively mild strokes. It is often asserted that such taxes provide substantial revenue for the exchequer without adverse effects on production incentives, although they naturally restrict the market. In a time when a phenomenal, and slightly undue, market expansion is taking place the restriction of some markets is by no means undesirable, and, therefore, it would look at first sight as though customs and export and excise duties cannot do anyone any harm, and to the extent they are alternatives to direct taxation, they do some (negative) good. It is quite wrong, therefore, to resist such taxation under present circumstances, whether one is a producer or a consumer. The only question is whether the commodities chosen for their application and the rates adopted are the best for current purposes.

Current purposes include, in addition to finding resources for the Plan, the control of inflation. So far as the financing of the Plan is concerned taxation up to the present time, although heavy, is still inadequate to fill the resources gap, and one must look on the steps recently taken by the Finance Minister as merely the first two in a long series of unpleasant measures chosen to bring the Indian taxation system into firm action on the resources front. There is no doubt that India remains in per capita contribution, one of the lightest taxed countries in the world. It is right that indirect taxation should be so employed as to enhance the per capita level of taxation in the country; but one may seriously doubt if the Finance Minister has chosen to spread the burden in an equitable manner. He has struck hard again at the middle classes instead of going further down. Nor has he drawn off a substantial volume of purchasing power.

In respect of the spread of the burden of the new indirect taxes, one might well question the decision which the Finance Minister made last week. They will not attract a very large quantity of purchasing power. The figure of Rs. 6 crores has been mentioned, but there are good reasons why in some respects the anticipated yields will not be obtained. But for the present, the main consequences must be the restrictive character of these indirect taxes, particularly those on wine and spirits, motor-cycles and scooters and the excise duty on cars. All these are justified in themselves, but they will not obtain a larger contribution from any large section of the population. They are to be obtained by indirect taxation imposed severely on the well-to-do. Indeed, one might look through the whole schedule of new taxes and ask whether any significant portion will be borne by persons with an income of less than Rs. 600 per month. It is obvious that these indirect taxes control the current theory and are operating very much, besides direct taxes on the middle and upper-middle classes. It is true that owing to the selective character of these taxes non-drinkers and non-car-users, for example, would escape mildly; but this only emphasises further the restrictive character of these taxes. The new proposals are plainly an attempt to strike at the tapering upper-middle classes who are already finding it difficult to adjust their expenditure to reduced incomes after taxation.

This is perhaps a legitimate object in the resources pattern of the society, but it is foolish to suppose that merely because of political aims the legitimate impor-

tance of the problem of taxing the multitudes has been approached. There is no major solution of India's resources problem without a great deal of taxation to bear on the large agricultural population. China's solution of the resources problem depends on just this recognition. Our failure to solve our resources problem is based conspicuously on our failure to recognise this large need. After a few more measures of this kind have been adopted, the time will come when we will need to cut the Gordian knot in the only manner in which this can be done. A plan with such vast new commitments cannot be financed from the middle-classes in any very great measure.

What makes the present proposals further inadequate is the fact that they contribute very little and provide so meagre a basis on which new taxation is to be built. Both points can be illustrated with general comments. It is essential that the individual indirect taxes proposed last week should be examined briefly.

Estimates of revenue yields in respect of customs duties on 'dyes' and 'colours' may prove over-estimates for more reasons than one. Duty could not be raised in the case of some items since they are bound items under the GATT. Total revenue at the present level (12 per cent) is Rs. 170 lakhs. At the increased level (8 per cent additional) it would be good luck if the estimated yield of Rs. 118 lakhs is realised. Allowance ought to be made for the fact that GATT items will not be subject to the increase. Moreover, this increased duty is bound to serve 'protective' rather than 'revenue' purposes especially when indigenous production of these commodities is rising fast. It is quite certain, therefore, that there will be a decline in the imports of these items and the revenue will not materialise to the assumed extent.

Another disputable step is the enhancement of customs duty on sugar machinery, textile machinery and rice machinery. It could be justified on grounds of 'protection'. To the extent the duty restricts imports it could hardly be supposed to serve as a source of revenue. On the other hand, higher duties on electrical and other instruments may be welcome, because they serve the twin purposes of 'revenue' and 'protection' in a far less questionable manner.

The proposed additional customs duties on wines and spirits and motor cycles and scooters are expected to earn an additional revenue of a little less than Rs. one crore. Theoretically, the demand for luxuries should be fairly elastic, but these commodities maintain, to some extent, an inelastic demand because of their specialised nature. This added burden, therefore, may be passed on to the consumers without any fear of a substantial fall in demand. In view of the policy of prohibition, revenue from a higher duty on wines may not be dependable in the long run, but it is right it should be employed while the going is good. An additional sum of Rs. 70 lakhs as customs revenue from some food items also seems justified. Ultimately indigenous industry will gain and revenue by way of excise duties can compensate for loss on customs.

In his anxiety to single out articles ordinarily used by the well-to-do sections of the population, the Finance Minister has picked up items whose distinctive importance in indigenous industry ought to have been taken

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into account. Already, a restricted market which shows signs of expansion only at a slow rate has operated as a brake on the rate of growth of these industries. The excise duty of Rs. 3,000 per unit on motor cars of costly types is ostensibly explained on the ground that the more expensive models would be discouraged and the foreign exchange saved in respect of their imported requirements could be put to better use. The set-back which it will give to the indigenous industry has not been duly weighed.

DISINCENTIVES FOR PRIVATE INDUSTRY

THE new corporate taxes proposed by the Finance Minister are clear disincentives to corporate enterprise. The immediate reaction of the stock market was a decline by about 6 per cent on an average in the leading counters. Equity capital will now be subject to a three-fold levy: ordinary tax on dividends, increased super-tax and capital gains tax in the event of appreciation of values. Under the new Companies Act equity shares were placed on a higher footing and were given rights denied to preference shareholders. It is patent that the new proposals will have an injurious effect on the promotion of new undertakings. Prospects of personal investment have been damaged particularly by the dividend super-tax and the capital gains tax. An individual investor now knows that the dividends he will get every year are small and that he will not be able to derive much advantage from an appreciation in share values.

The steep rates of dividend super-tax particularly affect concerns whose capital structure is small in relation to the volume of business. Since the super-tax rates refer to paid-up capital, they are a heavy penalty on the shareholders of companies which have been ploughing back profits or expanding in other ways. This is particularly clear in the case of certain industries like tea and jute whose profits fluctuate widely from year to year. Thus, to restrict the total amount of dividend paid by a company irrespective of its size is open to serious objection.

The imposition of capital gains tax was not unexpected in view of the recommendations of the Kaldor Report. The capital gains tax, now being extended to gains of Rs. 5,000 and over will affect adversely the flow of funds to the stock market. Capital gains are not taxed in many other countries. The proposal to tax capital gains at the income-tax rate is hard to justify. Mr. Kaldor had suggested that capital gains as part of the total income-tax should be taxed at seven annas in the rupee at the highest slab. The Government, however, accepted one part of the recommendations while conveniently rejecting the other.

Perhaps, the most revolutionary part of the proposals is the firm grip the Finance Minister intends to put on company finance. Depreciation allowances and development rebate will now be added back in the computation of income, unless a certain amount is deposited with the Reserve Bank before the 30th June of the relevant assessment year. The amount deposited will be partly a certain percentage of the excess of the available current profits after payment of the taxes and distribution of dividends and partly a certain percentage of the past accumulated profits and reserves which are not represented by fixed assets. The percentages are at present fixed at 50 of current profits and 25 of accumulated profits. Investments from these deposits will be allowed only in furtherance of the second Plan on the advice of a Board of Referees.

It is apparent that this measure would reduce the resources available to companies especially in the pre-

The import duty on art silk has given an opportunity to the Finance Minister to levy additional excise on indigenous art silk. It is difficult to estimate independently the effect of this duty on revenue. But assuming the budget estimate of Rs. 70 lakhs to be the correct approximation, it would appear that art silk has come in for greater incidence than is justified on the ground that, of late, Indian art silk industry is making larger profits because of its competition with cotton cloth in the home market.

sent context of tight money, cutting into their earning capacity. In cases where the withdrawal of deposits is refused, companies will be subjected to hardship despite the fact that they have built up reserves. The provision to reduce the amount of dividends to be distributed by certain section 23A companies from 60% to 50% provided they are engaged in industrial activity is no consolation since it will leave practically no cash benefit to these companies. First, the increase dividend super-tax will take off a large portion of the funds. The impact of the tax will be particularly heavy on companies which earn good profits with modest paid-up capital but employing large borrowed funds. Secondly, if a Section 23A company does not give any dividend it will have to pay, subject to the adjustment of depreciation and development rebate allowances, 64.5% of its income in the form of taxation as the rate of additional super-tax on undistributed profits is proposed to be increased from 4 annas to 6 annas in the rupee.

It is estimated that Mr. Krishnamachari's interim budget proposals for a greater control on the depreciation and reserve funds of companies will enable the Government to divert every year Rs. 35 crores to projects under the Second Plan—i.e., more than double the amount that will accrue as a result of the new taxes. This is nothing short of a raid on the funds of the private sector for use in the public sector. It is not the money involved alone that matters, but the new line of thinking that is apparent in the Finance Ministry. The tighter hold on company reserves is an indirect way of diverting private corporate funds and savings for development in the public sector. This is nothing less than penalising efficient private management.

The cumulative effect of the new proposals for direct taxation would thus be to place impediments in the way of private industry requiring development finance. The proposals leave out of account the central problem of unloosening incentive to overcome the obstacles which have hindered development in the private sector. If the rewards in terms of dividends decline risk venture will be greatly reduced. But it is clear even now that since the level of saving has to rise from 7 to 12 per cent, this was not the time to dampen enthusiasm to save away a good chunk of the profits.

A sample study of a selected number of balance sheets for 1954 and 1955 shows that the ultimate capacity of the enterprises to lay aside capital fund increased between the two years. The increase in industrial production gave rise to increases in equipment investments and stockpiles. Engineering and cement companies, particularly, realised increased profits which enabled them to increase and retain internal reserves. Some of the old companies in the cotton textiles, engineering and plantation groups availed of capitalization of reserves in the form of bonus shares on which a tax was imposed in this year's budget at the rate of two annas in the rupee. Distributed profits recorded a comparatively small rise while the ploughed back portion, comprising

transfers to reserves and profits carried to balance sheets, showed a sizable rise. Even then, it may be noted that the gap between the invested sum and the reserve is especially big in heavy or basic industries like electric power and iron and steel. Though such industries with large fixed assets need large-scale equipment investments their capital accumulation is inadequate to make such investments. As a result their borrowings from Government or private sources

are substantial. In addition, the increase of their fixed assets entails larger depreciation expenses. Consequently, their working capital ratio (working capital dividend by total assets) is comparatively low. It can be seen that the burden of interest on their borrowed funds is substantial in some cases and debt-ridden industries like electric power are paying a large amount of interest. In the light of this situation it is clear that the new tax proposals will worsen the situation.

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Letter to the Editor

INDIA ON HUNGARY

Sir,

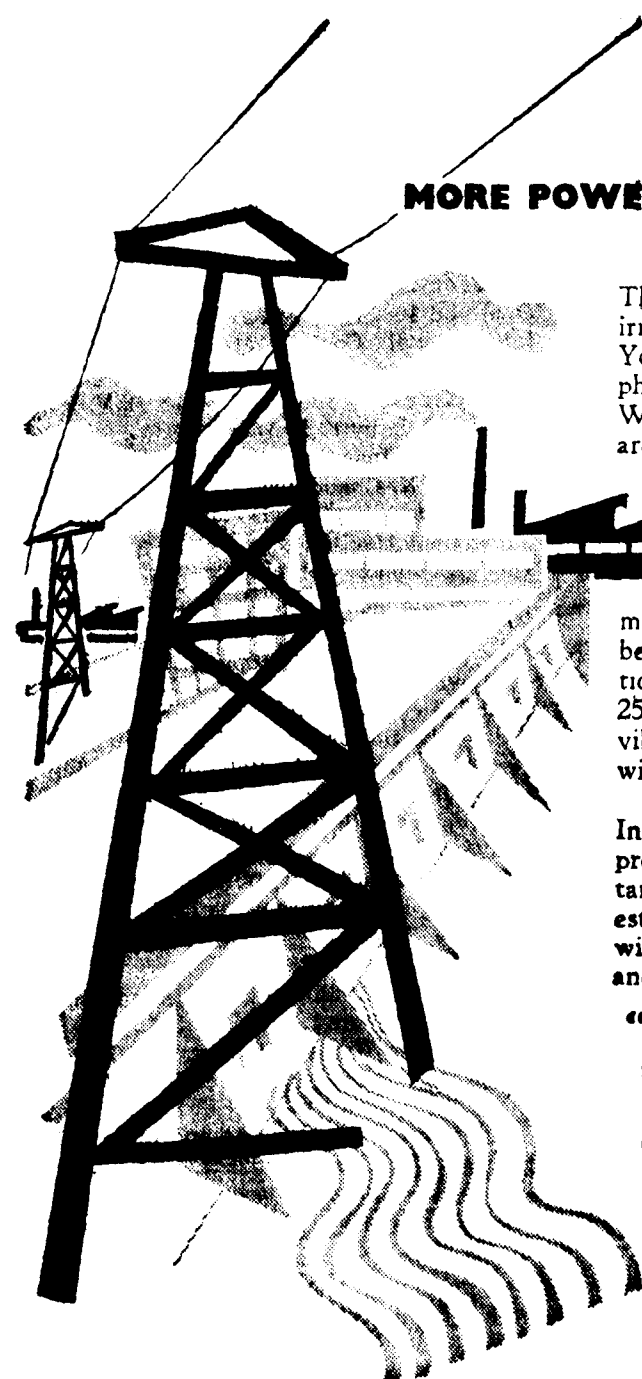
The first Leader in your issue of November 23, dealt most ably with the question of India's vote in the United Nations on the Hungarian elections. What has not been made clear to the Indian public is that if India was to be consistent in her foreign policy, she could not acquiesce in an election supervised by the U.N. in Hungary so long as she refuses to countenance U.N.-controlled plebiscite in Kashmir. For all his faults, one must at least credit Mr. Krishna Menon

with the attribute of consistency, whether we agree with his Government's policy or not.

Your faithfully,
J. H. ADAM

CALCUTTA,
November 28, 1956.

[In our opinion confusion is being created in assuming that there exists a parallel between the two cases. The commitment over a plebiscite under UN auspices in Kashmir stands. The differences arise over the fulfilment of conditions precedent to the holding of the plebiscite.—Ed.]



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THE CAPITAL GAINS TAX

THE re-imposition of the capital gains tax after eight years is in no sense a simple act of revival. Mr. Krishnamachari has come with a heavy hand on capital appreciation. His object in invoking this impost is not purely fiscal. This is no doubt a major aim. In an anxious search for new sources of revenue, his eager eye could not miss the dormant provision of S. 12B of the Indian Income-tax Act. His other motive is ideological, aiming at a deliberate step in the direction of the socialist pattern of society. He has minced no words in emphasizing the part played by capital gains in "aggravating" economic inequalities. It is irrelevant if capital gains have their counter-part in capital losses. The capital gains tax must, therefore, be employed as a weapon to reduce inequalities. While redeeming this weapon in a new form, the Finance Minister has gone far beyond its sponsor, Mr. Liaquat Ali Khan. Of late, the capital gains tax has loomed large in the hunt for widening the tax coverage. It has found in Prof. Kaldor a most ardent advocate. But the Finance Minister can claim credit for having excelled the Cambridge economist.

It is asserted that the 'raison de etre' of this levy is the expectation of capital appreciation in a phase of rapid development of the economy in which the public fisc must be allowed a good share. What is overlooked in this line of thinking is that the appreciation of capital values represents profits which are illusory, partly at any rate. They are likewise not recurrent on any reasonable anticipation. As such they do not generate taxable capacity on the scale assumed. The psychological consequences of the impost on saving and risk-bearing through investment are undoubtedly underestimated. In its span of two years it offered a fair idea of its discouraging effects. In fact, the major consideration which influenced the Government's decision to abandon the tax was the obvious interruption it caused to the free movement of securities in the capital market which is so essential for a healthy climate in a period of industrial development. The Taxation Enquiry Commission saw no theoretical objection to the imposition of the capital gains tax. This finding was not unexpected in view of the bias disclosed in its recommendations towards heavier taxation of the higher income brackets. But it is most significant to remember that it counselled caution in the matter of re-introduction of the tax. It was far from its mind to suggest precipitate resort to this levy.

The new form in which the tax is returning is drastic in all major directions. The existing provision of law as embodied in S. 12B of the Indian Income-tax Act gives it moderate application first by strictly confining the taxable income to a limit above Rs. 15,000. This limit has been reduced drastically to Rs. 5,000 and it would appear that its serious implications in relation to investment psychology as well as administrative convenience have not been properly weighed. A saving grace of the new proposal is to exempt income from capital gains where the total income including capital profits does not exceed Rs. 10,000. It is common knowledge that bulk of the share capital of bus-

iness concerns is held by middle class investors, who, in fact, form the backbone of the investing class. The lower limit is intended to cast the net wide to catch this large mass whose sole concern is genuine investment for secure non-speculative yield. It is difficult to be sure that the injury likely to be caused to a potential source of investment has been fully assessed. Prof. Kaldor, whose inspiration for the revival of the tax is no matter of secrecy, categorically urged the exemption limit to be maintained at Rs. 15,000, although his stress was on the administrative angle. It was inevitable that the disincentive effect of a lower limit should leave the socialist economist unimpressed.

The sting of the new proposals in respect of the capital gains tax will be felt in the organised inroads made on exemptions granted in the existing law. The proviso to S. 12B(1) deliberately safeguarded certain categories of capital transfers from the application of the impost. The exemptions rested on grounds of equity taking into account the fact that capital transactions covered by them were denied the benefit of adequate value. Many of the important exemptions are being withdrawn. To the disadvantage of inadequate consideration on sales or transfers is being added the liability of tax payment. Transfers of property on compulsory acquisition for a public purpose, dissolution of partnership or other association of persons, liquidation of companies, sale of residential property possessed by an assessee or his parent for a period of not less than seven years are the specific varieties of transfers whose exemption is being withdrawn. The coverage of the tax which was confined within moderate limits in the Liaquat Ali budget proposals is being extended to areas which merited exclusion on equitable considerations.

The most radical and severe change made in the fresh proposals is to abolish the system of taxing capital gains on the base of slab rates specially prescribed for this class of income. In the case of personal capital gains, the tax to be charged on capital profits will be the income-tax rate to be assessed cumulatively on the other taxable income plus one-third of the capital gains. In the case of companies the rates of capital gains tax will be the same as the rates for capital gains tax obtaining in the two years April 1946 to March 1948. They were as moderate as 1 anna in the rupee for incomes between Rs. 15,000 and Rs. 50,000, with progressive slabs ending with a rate of 4 annas on incomes between Rs. 5 lakhs and Rs. 10 lakhs, with a ceiling of 5 annas for incomes in excess of Rs. 10 lakhs. The new formula of amalgamation of capital gains and other taxable income and a uniform rate as that of income-tax purports to follow Prof. Kaldor's recommendations. This is a mere half-truth. The reality of the situation is quite different. The Kaldor scheme of integration of the two incomes charged at an identical rate expressly states that the distinction between income-tax and super-tax should be abolished and the ceiling rate of income-tax should be pegged at 7 annas in the rupee. Mr. Krishnamachari's proposal aims at having the best of both worlds.

EASING THE TIGHTNESS

By
(CROESUS)

SO much discussion has taken place, and that at the highest level, between bankers and official spokesmen lately that one expected the Union Finance Minister would have come out, on the least provocation,

with a whole series of measures to meet the unprecedented tight money conditions which have developed even at the start of the busy season this year. A timely provocation arose too recently, in the Lok Sabha,

when Mr. G. L. Bansal questioned Mr. T. T. Krishnamachari about the effect of the directives issued by the Reserve Bank imposing restrictions on scheduled bank advances against rice, paddy and other food grains. But all that the Finance Minister permitted himself to 'announce' was "that restrictions on bank advances against rice, paddy and other food grains were being withdrawn". Actually, these restrictions were withdrawn by a notification dated November 14, 1956, and there was thus no question of 'announcing' anything new, as the Press reports seem to convey. Strangely enough, notwithstanding all his discussions, these few weeks past, Mr. Krishnamachari does not seem inclined to say much, although he is known to be greatly exercised about the problem and to be turning over a number of alternative solutions in his own mind. Although he jocularly describes himself (in the company of his friends) as an "amateur Finance Minister", he is sure to disprove it himself when he comes out with his solutions. On the other hand, I have reasons to believe that quite a few of those whose suggestions he earnestly and sincerely sought have, in the event, turned out to be amateur money men. Maybe I am mistaken, but it would be revealing to have from our bankers and their associations the full text of all the memoranda they have submitted in Bombay, Madras, and Calcutta, the discussions arising thereon with the Union Finance Minister and the Reserve Bank authorities, and the specific solutions offered by them to meet the prevailing situation.

Meanwhile, I have come across a few suggestions which, in my opinion, deserve serious consideration at the hands of the authorities. One of these (made by Mr. R. M. Mitra in the 'Capital' vide pp. 684-685 of the issue dated Nov. 22, 1956), which falls under the category of more facilities under bill market scheme, is that the Reserve Bank should issue notes against bills of exchange and promissory notes eligible under Sections 17(2)(a), 17(2)(b) and 15(1)(1). As he points out, although under the Reserve Bank of India Act, the Bank has powers, this does not seem to have been attempted at all.

At the same time, it is very important that something is done to discourage money supply in this country circulating largely outside the banking system. The gap between the total notes-in-circulation figure, as published in the Reserve Bank returns, and the cash with the banks (both scheduled and non-scheduled) must be very much closer. If the ratio of the latter to the former cannot be expected to be as high as 10 per cent, as in a country with advanced banking habits like the USA, it must at least be 5 to 7 per cent and not around 3 per cent as it is in India today. For the most part, our banks seem content grudgingly to offer higher rates of interest on deposits, but experience has shown that, in the main, this has only the effect of diverting the existing money with the banks from one account to another—from current to time deposits. This, as Dr. B. V. Krishnamurthy has observed in his article on "Further Rise in the Money Rate: Is this Wise?", (which appeared on pp. 775-6 in the last issue of 'The Eastern Economist', is a rather alarming trend in the present expansionary context. Money must be "activated" to the utmost, on the contrary. Accordingly any measure that is adopted must be such as not merely to divert money from one account to another but also to attract more and more fresh money into the banking system.

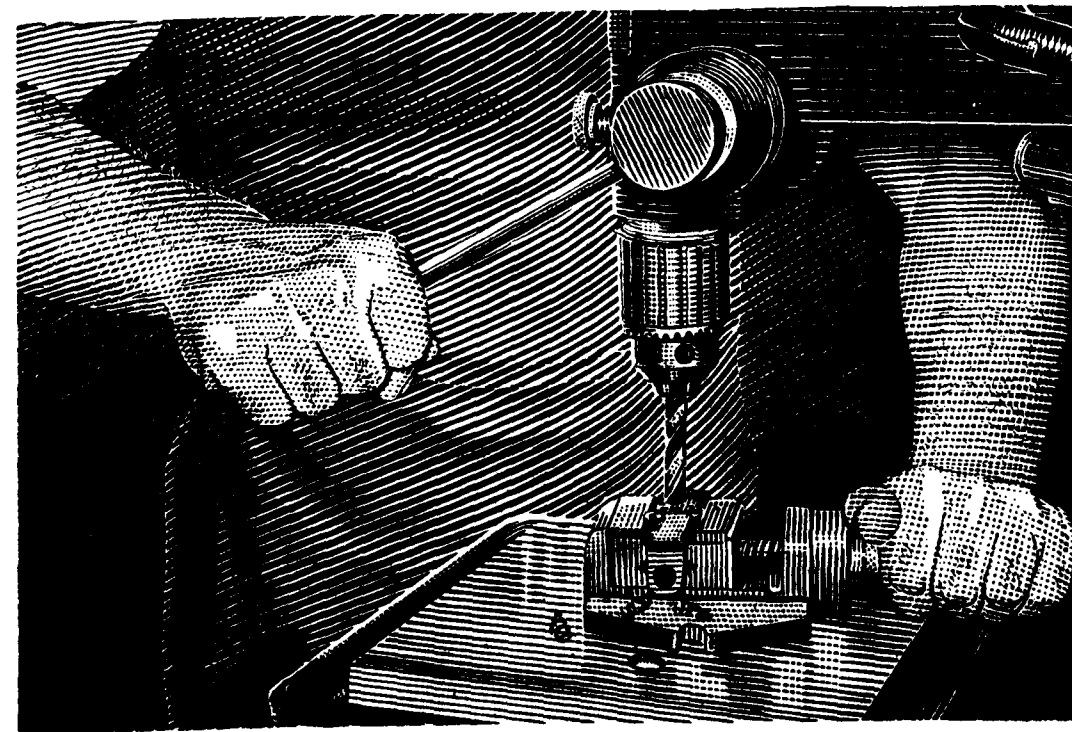
It has been wildly suggested—I say 'wildly' advisedly—that an effective measure would be to withdraw all old currency notes every year and replace them with new ones, the idea being that all old notes will be driven out into open, thereby enabling the authorities to single out hoarders! Whatever may be the efficacy

of this measure—and I very much doubt it—I am temperamentally opposed to this totalitarian strategy. Moreover, it means not only wastage of old notes (which I suppose must be destroyed prematurely under this proposal) but also postponable, if not avoidable, expenditure on the printing of new notes, not to speak of all the costly and time-consuming preliminary preparations that go with it. The better course, even if it may not yield spectacular and sudden results, would be to educate the public of our country in banking habits (it is here that our more or less fossilised banks and banking institutions have some vigorous work to do) and, as a necessary pre-requisite to it, to infuse greater confidence in our banking system by adopting measures such as deposit insurance system, which the Shroff Committee recommended for fuller examination and implementation. I do not know if either the Reserve Bank of India or the Indian Banks' Association has done anything to pursue this purposeful examination.

So much for others' views. Let me now air one or two of my own for what they are worth. In all the discussions about the tight money conditions, I see the stress is almost always on the volume of money that would be needed to tide over the immediate situation. This, in my opinion, ignores two vital aspects. One is that there has been a sea-change in the whole pattern of the Indian money market, consequent on the economic development that has already taken place, a process which is picking up tempo and not slackening. The other is that, after all the injection of these advances into the economy at various points, there must follow, albeit after a time lag, and even if it be in a very much attenuated stream, an ejection of funds. Thus, if, say, X borrows money, he does not spend all of it only on imported goods but also on indigenous goods and services and this latter expenditure must return to the country's money pool or the banking system. It is not impossible that the volume of such funds will grow steadily and provide some relief. But, as I have been deliberately guarded enough to preface my remark, this cannot at all be much; nor can it afford prompt and immediate relief.

For providing prompt and immediate relief, therefore, I have another suggestion, which I earnestly commend to our Union Finance Minister. It is this: There is the Life Insurance Corporation of India, which continually collects premium income, amounting to nearly Rs. 60 crores every year. Would it not be possible, during the busy season, to divert as much of this money as possible to banks by way of call or short-term deposits (this used to be done by some life insurance companies prior to nationalisation), without appreciably starving the stock market? After all, in investments in the private sector, the Corporation puts in only 16 per cent, as against 55 per cent in Government securities. Normally, save for supporting gilt-edged—an additional responsibility that the Corporation may be called upon to accept by reason of being a Government body—the Corporation need not be required to invest all its money in Government securities, as, in any case, the new Central and State loans of the year would be well out of the way by this time of the year.

True, here, again, the relief may not be all that is necessary, but it could certainly be appreciable. Further, there is a distinct benefit to the money market, if this suggestion is accepted. It would greatly minimise the unhealthy competition for call and short-term money among banks and, to that extent exert a desirable downward pressure on interest rates in the money market. What be more welcome than subdued interest rate in an expanding economy?



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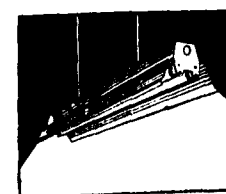
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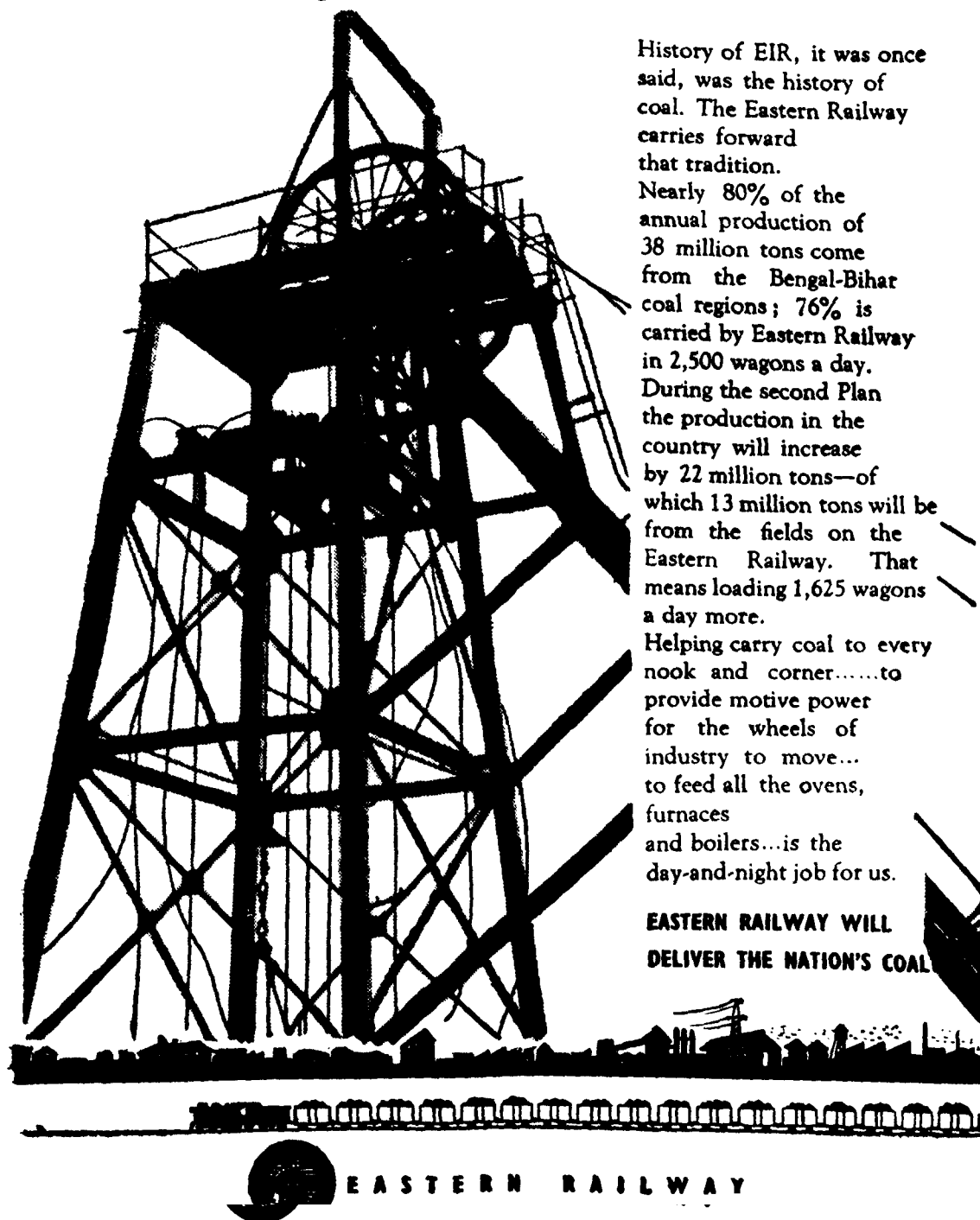
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plea to fellow shipowners in India for the important role of tramp shipping economic life and a fervent prayer to of India to remove the present tramp-n tramp operators in India formed the theme of the Chairman, M. A. H. Bhidress at the Eighth Annual General Great Eastern Shipping Co. Ltd. This e, for no other shipping company in believed in, and worked so much for, is this Company has done. Thus, it is g the first Indian shipping company to tanker for this country that "Great en a pioneer and distinguished itself.

ason, tramp shipping has remained an vere, with almost all Indian shipping to some extent, this aversion is also Government. Despite all the arguments e chairmen of more than one shipping lia, one fails to understand the rather towards tramp shipping still prevailing

Liners, one concedes, may be rela- portant, but just as all organs in the ust be healthy for its proper function- e not be tramp ships also for the build- ind fleet of Indian ships? Some circles that it is a little too premature for India inc for tramp trade at this stage, as we ke much headway in the carriage of Conference trades, and that, at any rate, until our ships become old enough to be amping. But contrast this with what alla had to say: "The adventurous and lrit with which shipowners have been le dawn of history attains its high water iping."

may be the reason for this sharp inion on the need for, and the place of, in India, if one is to judge by the per- ie "Great Eastern," tramp shipping, far dying breed," has not only come to stay also seems to have got a great future xcellent results of working of the Com- ear, according to the Chairman, "derive ar tramping activity." Further, the same it that "the post-war development of s that countries which stuck to liner ser- ve increased their tonnage at a much an the countries engaged in tramping." gily rapid progress made by Norwegian

and Greek ...powners, we are further told, has been the result of the encouragement that tramping received in these countries. There are other considerations, besides, why tramping requires to be encouraged, according to the "Great Eastern" chief, and I feel I ought briefly to enumerate them here.

Tramp shipping, it is true, is as risky as it is adventurous, but, at least in peace-time, must not one take some risk? In normal peace-times, and in the absence of emergencies, observed Mr. Bhiwandiwalla, "the maximum operational efficiency and the optimum utilisation of tonnage should guide and govern the employment of ships." If this is conceded, there should be no objection to tramping and encouragement of tramping, for it is difficult to see how, otherwise, these twin results can be achieved. It may be argued that, if, as a result, some Indian ships do not carry part of India's imports or exports, the country would have to pay freight charges to foreign countries, but this is effectively met by the counter-argument: "If Indian ships are more gainfully employed in other trades, they will be able to earn relatively more foreign exchange;

after all, it is the net difference in foreign exchange (between that which we have to pay and that which we earn) that matters."

The "Great Eastern" Chairman blamed the Gov- ernment's restrictions on time-chartering out of ships as coming in the way of development of shipping gen- erally and of tramping in particular. According to him, "the Government restrictions on letting out Indian ships on time-charter to foreigners have acted as a res- trictive influence on expansion of Indian tonnage and foreign exchange earnings without doing an iota of good to the country." There does not seem to be any weighty reason for Government restrictions on time- chartering out of ships thus. On the contrary, the fact that time-chartering provides gainful employment to at least some Indian ships for an assured period, thereby making the owners of these ships immune from the risks of fluctuations in the freight market should com- mend itself as a very powerful reason for affording all encouragement to tramping. Tramp operators have particularly to watch and judge the trend of the freight market carefully, so as to cushion off the risks of a fall in the market by letting out some of their vessels on a time basis. As Mr. Bhiwandiwalla put it, the difference between letting out a trip on a time basis and that on a voyage basis is no more than that be- tween the wholesale selling of freight and the retail selling of it. Yet, whereas the Government of India does not object to the latter, it has prohibited wholesale selling of freight. Whatever may be the justification for this in respect of liners—one sees hardly any ven in this case—at least tramp operators should be exempted from the restrictions on the letting out of their vessels on a time basis.

Despite apathy and restrictions, tramping has made a good beginning, thanks to the spirit of enter- prise shown by the "Great Eastern." No longer is this Company content to remain just an occasional venturer into tramping. It has formed a permanent nucleus of ships for its tramping activity. This con- sists of three vessels, which number will be raised to four by the addition, in February 1957, of the Japa- nese built 12,080 tons d.w. m.v. "Jag Laxmi," the largest cargo ship on the Indian Register. This record deserves recognition and the least that our Govern- ment and other shipowners in this country should do is to recognise that there is ample scope, within the ambit of India's coastal and foreign trade, for both Indian Liners and Indian tramps to flourish.

Another important problem on which Mr. Bhi- wandiwalla dwelt in the course of his speech was the urgent need to build up our shipping tonnage. As Mr. M. A. Master is never tired of pointing out, we would need at least 8 lakh G.R.T. to carry even 15 per cent (i.e., about 34 lakh tons) of our overseas trade, as against which the Planning Commission has provided only a tonnage of 4.6 lakh G.R.T. for the overseas trade at the end of the Second Five-Year Plan! This highlights the importance of prompt action by our Government to move the U.S. Govern- ment to release some liberty ships from America's mothball fleet. Obviously the way has been well prepared for this by Mr. G. L. Mehta, our able Am- bassador, whose understanding of the subject of Indian shipping cannot be questioned, and by the pioneering work in this behalf of Dr. Sudhir Sen, ex- General Manager of the "Great Eastern." These efforts should soon meet with success. Meanwhile, some people are hoping that the U.S. Government may time the release of these ships to synchronise with the visit of our Prime Minister to America this month. That would, indeed, be a good gesture.

Economic Report from the U.S.

PRODUCTIVITY AND INFLATION

(By GUY SIMS FITCH)

WASHINGTON, Dec. 4.—A highly significant though little-noticed report was issued here last week by the US Federal Reserve Board, one of the agencies keeping close tab on the American economy. It noted that productivity, or output per man-hour, in the American industry "has apparently been rising" since the middle of this year, following a period of little gain that began in 1955. This new trend goes to allay a mounting concern among economists, including government experts. A continued productivity slowdown, according to these students of the economic scene, could increase the threat of inflation and affect the optimistic assumptions about the future of the American economy.

The relationship between productivity and inflation is almost self-evident. More output per man-hour means that wage increases are reflected in rising costs, and hence in higher prices of finished goods. In an economy operating at capacity, moreover, a poor productivity rate also means reducing the output potential. This, in turn, can lead to a situation in which demand for goods outruns supply, a classical cause of inflation. In time, an inflationary spiral may change, with wages chasing prices higher and higher without producing real benefits to the worker in the way of better living standards.

This has demonstrably not been the product of the broad general upward movement of prices in the United States. Careful investigation shows that between 1910 and 1953—a period marked by significant increases in the purchasing power and living standards of the American worker—output per man-hour in the United States rose about 2 per cent a year on the average. Between 1947 and 1953, however, productivity rose at a much faster rate—about 3.4 per cent a year. This post-war development helped wages keep well ahead of price advances, and it contributed to the rapid strides in earnings and living standards by the American worker since World War II. Calculations by government economists show considerable fluctuation in the productivity rise since 1953; a dip in from the post-war average in 1954, and some recovery in 1955. Between mid-1955 and mid-1956, however, indications are that productivity rose at the relatively slow rate of only one per cent a year.

What caused this productivity decline—that has now apparently ended—is all but impossible to pin down at the moment. Some economists point to a shortage of qualified workers, and a resulting decline in work standards. Others cite slackening activity at that time in a few industries, such as automobiles and farm equipment. Conversely, it is hard to say what has caused productivity to recapture its momentum since the middle of this year, or to measure exactly how much it has gone up in recent months. It is noteworthy, however, that industrial production has advanced significantly since July, and now stands at an all-time high of about 147 per cent of the 1947-49 average.

Federal Reserve officials have one tentative answer for the new rise in productivity; they attribute it to

the fact that new plants and equipment, on which American industry has been spending record amounts this year, are being completed and have begun to come into operation in large volume. These new facilities create greater production efficiency and higher output levels by making it possible for workers to turn out more goods during the time they spend on the job. Thus most units of production are held down, and a limit is thereby put on upward price pressures. This means that wage increases are translated into actual rises in living standards, instead of merely pushing prices higher.



PST. 162

BUSINESS NOTES

INDIAN AIRLINES' RECURRING DEFICIT

THE ANNUAL report of the Indian Airlines Corporation for the year 1955-56 discloses a deficit in financial working. This need not come as a surprise. The high-cost structure of the internal airlines is partly due to an important inherent factor. Unlike the external airlines, they have to bear a heavy bill on account of petroleum taxation. To add to that, the costs of modernisation have to be incurred at the present time, if only because the airlines must keep pace with the times. The report frankly states that a long period will be necessary before financial equilibrium is achieved. The duration of this period cannot be predicted even with approximation.

The working during 1955-56 discloses a deficit of Rs. 1.19 crores as against a deficit of Rs. 0.91 crore in 1954-55. The report states that the actual deficit of Rs. 1.19 crores incurred in 1955-56 is actually Rs. 43 lakhs below the budget estimates. A claim is put forward that this economy of the order of Rs. 43 lakhs was secured as a result of the energetic efforts of the Internal Audit Department and the Central Purchase Organisation, both of which were set up last year. It means that, compared to the budget estimate of the deficit, one-fourth economy has been achieved in expenditure. It would be too much to accept this claim at face value. It is possible that the budget estimates erred on the higher side, since financial control in the working of the Corporation could not be expected to be firm in view of the fact that the process of integration was not fully accomplished. Three new feeder services have been started with the Heron aircraft which were run at a loss. Another factor contributing substantially to the deficit is the increase in the wage-bill due on account of further adjustments in salaries. The second factor is significant. In spite of the labours of the Puranik Committee and subsequent negotiations with the staff union, the question of settlement of salaries was not finalised. It is not clear whether with the adjustments granted last year it is now settled once for all.

The progress in the operational performance of the Corporation is tabulated as below:

	1955-56	1954-55
No. of passengers carried	500,363	477,583
Cargo carried in tons	53,856	50,256
Mail carried in tons	4,997	4,659
Revenue aircraft miles flown	18,986,347	17,952,513
Revenue flying hours	121,839	114,808
Capacity ton miles produced	51,582,462	46,442,816
Revenue ton miles sold	36,396,902	32,339,522
Load factor in percentage terms	70.6	69.7
No. of flying hours per annum per aircraft	1,405	1,378

COTTON EXPORT QUOTA

THE LONG-EXPECTED export quota for cotton was released by the Government on Saturday, December 1, 1956, after what appears to have been a period of gestation of 12 days. At the Export Advisory Council meeting on November 18, 1956, it was given out that some announcement would be made 'in a day or two' in this behalf. Later, when sentiment seemed to improve and cotton prices went up by a few points, it was held out by the authorities that, inasmuch as prices were on the "high" side, the quota was not desirable 'at this stage'. Naturally enough, this pro-

duced keen and widespread disappointment in the market and prices tumbled down to new low levels. After seeing the lowest levels for some time, the cotton market displayed a perceptible trend towards resistance at lower levels, and, at this stage, the authorities came out with the announcement releasing an export quota of 50,000 bales of Bengal Deshi and 1,50,000 bales of other exportable varieties of cotton stappling 3" and below. The net result of this delayed, if not, belated, announcement is a loss, however small, to the Government on its foreign exchange account. For, had the release of the export quota been granted earlier, immediately after the Export Advisory Council's meeting, the Government would have had the benefit of the higher price that prevailed then. Now that there has been a decline since of over 20 points, on an average, the Government stands to lose to that extent.

The reaction of the cotton futures market in Bombay to this announcement has been one of sullen satisfaction, inasmuch as the market had taken this for granted and expected the announcement much earlier. Any more delay on the part of the Government at a time when there is so much of cotton crying for quick despatch, because it is not wanted for home consumption, would have amounted to negligence.

It is interesting to note here that many shippers were shrewd enough to conclude business in anticipation of the quota. They were evidently motivated by the firm conviction that the quota was bound to be announced soon. In the result, it is believed, over 30,000 bales of Bengal Deshi have already been sold, while, in regard to 3" staple cotton and below, business has been effected for some 70 to 80,000 bales.

The market was not prepared, however, for the doubling of the export duty on Bengal Deshi, although it is stated that, even with this enhanced duty, it would be possible for the country to export an appreciable quantity of Bengal deshi. In fact, it is felt that the whole quota might be exhausted within just a few days!

ROURKELA'S CHANGED COMPLEXION

AS THE crucial phase of placing orders for the machinery and equipment for the Rourkela Steel Plant is under way, significant developments have taken place in the character and complexion of this enterprise in the public sector. The Boothalingam Mission which had gone to West Germany to place orders for equipment has finished the major part of negotiations for purchase of equipment and orders of the value of Rs. 72.7 crores have been placed with manufacturers in West Germany. The most important outcome of the Mission's work has been to modify an important term in the agreement of the Government of India with the combine of Krupps-Demag. Under this term the German combine undertook to invest in the capital of the plant, its investment taking the form of supply of equipment worth about Rs. 10 crores on credit. After the enquiries made by the Boothalingam Mission in West Germany it was found that this term could be modified with advantage to both the parties. If credit facilities could be secured under it during the period required for putting the plant into commission, the counter-balancing consideration is that the interest to be paid on the cost of the equipment would run as high as over 12 per cent calculated as simple interest. Or further negotiations the Boothalingam Mission found that favourable terms could be obtained by releasing the combine from the obligation of participating in the

investment of the plant. To this end substantial concessions in the prices of equipment have been obtained and it has been finally agreed that India should purchase this part of the equipment on payment of the cost within a period of 18 months required for the deliveries. In effect Krupps-Demag, representatives on the Board of Directors of the Hindustan Steel will resign and this plant will be a hundred per cent government-owned plant. The combine will continue its technical and consultancy functions.

It has now transpired that the cost of the Rourkela plant will rise by not less than 30 per cent at the present level of prices. The prices of steel have recently been going up and German prices in particular have shown a pronounced upward trend in the last year. However, they compare favourably with American prices. It would be incorrect to explain the rise in the cost of the Rourkela plant, originally estimated at Rs. 128 crores, purely in terms of the increase in the prices of steel. There are two other factors which are responsible for higher costs. It is stated that the original estimates made by the German firm of consultants were conservative. In the next place, it is said that quite a number of minor items of the requisite equipment had not entered into the original estimates. Whatever the explanation, and it is not free from some element of surprise, the important factor remains that at the very start of the first year of the second Plan indications are available that its foreign exchange component will be inflated.

PROTECTION TO CHOCOLATE INDUSTRY

ONE WONDERS if the case of the Cocoa Powder and Chocolate Industry is not an illustration of Governmental protection becoming almost indistinguishable from parental pampering! The Cocoa Powder and Chocolate Industry, the first inquiry into which was made by the Indian Tariff Board in 1956, and the second in 1949, and the third, by the Tariff Commission in 1954, has been enjoying protection for over nine years now. Perhaps one of the reasons why the industry did not care seriously to explore the possibilities of having the raw material of the industry, namely, cocoa beans, produced internally may be that the indigenous industry is composed exclusively of one unit, namely Sathe Biscuit and Chocolate Company. The Tariff Commission has rightly exposed this defect, when it says: "After nine years of protection, the industry is still dependent on imported raw materials for its existence, and this cannot be regarded as a very satisfactory feature, when one recognises that the raw material is essentially an agricultural product, for the production of which no insurmountable natural difficulties can exist in our country". At this stage, however, one would like to ask the Tariff Commission whether it has made any independent enquiries of the Union Ministry of Agriculture as to the possibility of developing cocoa plantations in this country. Apart from this possibility, it has also to make sure that the quality of cocoa beans that can be produced in India is as good as that of the imported variety. It is not always that this can happen, as the classic instance of jute has demonstrated. Suppose the industry raises a cocoa plantation and the quality of the beans is not quite good, it follows that the finished product made out of these beans cannot be very good. The industry must not then be told that it has forfeited the claim for protection on the score of poor quality of its products. Then there is also the question of financing a cocoa plantation, and it is a moot point if this still infant Indian industry can find the funds, especially in these days of tight money.

While there is a wide gap between the rated capacity of 450 tons for covering chocolate and 150 tons for

cocoa powder as claimed by the sole unit of the industry, and its actual production of between 69.6 (1953) and 152.6 (1951) tons and 98.9 (1953) and 164.1 (1951) tons, respectively, imports from foreign countries represented nearly double that of indigenous production from 1951 to 1954, with a sudden and sharp drop in both indigenous production and imports thereafter. It is pertinent to ask here, as the Commission has not forgotten to do, how far the unusually large imports in 1953 and 1954 have been responsible for causing a decline in offtake of the home products in subsequent years. For this, of course, it would be necessary to have figures of annual sales and stocks of imports, which have, however, not been made available by the importers to the Commission. One silver lining to an otherwise gloomy performance of the industry is provided by reports received by the Commission from various sources that the quality of the industry's products has been beyond reproach, although the Commission is yet to be convinced of the indigenous product's 'keeping quality'.

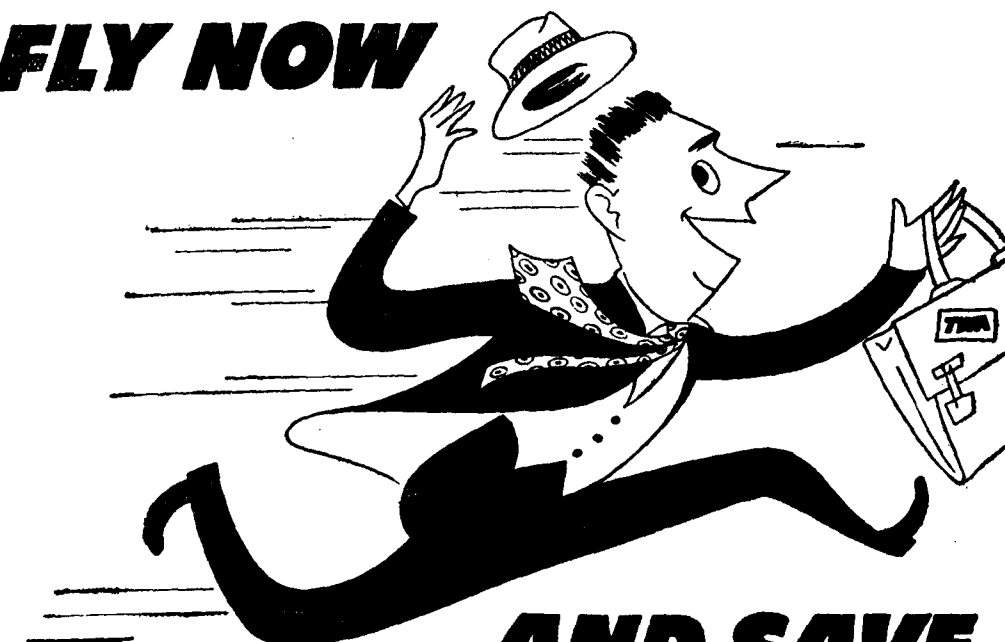
ENGINEERING GOODS PRODUCTION

THE GOVERNMENT OF INDIA have approved several schemes for the manufacture of machinery and engineering goods. Some of the schemes are for setting up new units while others relate to the expansion of existing factories. Under the new schemes a new factory for the manufacture of 300 coaching underframes per year would be set up in Rajasthan at Bharatpur. Incidentally, it meets the long standing demand of Rajasthan for establishing this factory for which large facilities exist in the State. Along with it in Calcutta another engineering firm is to be permitted to expand its production to attain an annual rate of 70 coaching underframes.

In the programme of new schemes, it is proposed to set up at Amlapore (West Bengal) for the manufacture of structural steel processing factory sheds and building frames, bridges, tanks, industrial plants and forgings at the rate of 14,400 tons per year to be increased to 16,800 tons later. At the same time the scheme of a Calcutta firm for setting up a new undertaking at Barrackpore for the manufacture of 300,000 high speed steel twisted drills of straight shank type and 150,000 drills of taper shank type per year has also been approved. Punjab has not been neglected. A factory in Punjab is to be allowed to expand its capacity for the manufacture of rivets, bolts and nuts to 60 tons per month. Also a new undertaking is being set up in Punjab, for the manufacture of 300 tons of steel bolts, nuts and rivets per month on double-shift basis.

So far as diesel cranes are concerned a scheme of a West Bengal firm for taking up the manufacture of jib cranes, c.o.t. cranes and steam or diesel cranes for railways at the rate of 60 per year to be raised to 194 later, has been approved subject to the terms of foreign collaboration being settled to the satisfaction of the Government. In respect to schemes for the manufacture of electric motors, three schemes have been approved. A Calcutta firm is to be allowed to expand its capacity for the manufacture of electric motors from 24,000 h.p. to 66,000 h.p. per year. In addition to it a new undertaking is being established at Coimbatore for the manufacture of 600 electric motors per year of capacity up to 15 h.p. The firm will also be allowed to manufacture 1,800 centrifugal and self-priming pumps per year on double-shift basis. The third scheme in regard to the manufacture of electric motors will operate in Baroda where an existing firm will take up the manufacture of electric motors at the rate of 50 per month to be increased to 150 ultimately.

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COMPANY AFFAIRS

KILLICK INDUSTRIES LTD.

A few factors have combined to reduce the net profits of the Company for its working during the year ended June, 1956, as compared to the previous year. In one of its managed companies—the Kohinoor Mills Co., Ltd.—the reduced profits were a result of a definite slump in the prices and demand for yarn, with a slight recovery during the last quarter of the period under review; cloth prices and offtake were, however, well maintained. Another cause was the introduction, in the 1956 Budget, of tax on dividends over 6 per cent, which had the effect of reducing the Company's commission, as Managing Agents of the Associated Cement Companies Limited, by Rs. 1.25 lakhs. There was also, as expected, a loss on the first year's working of John Baker & Sons (Engineers Steel Files) which commenced production in July last year. The Directors feel that the Kohinoor and the Ahmedabad Electricity Co., Ltd., are now working at normal rates of profits. According to them, the steel file factory is also likely to produce a satisfactory profit for the current year.

The Company has been giving close attention to the expansion and diversification of its activities. It has been granted a licence by the Government for the manufacture of mild steel bolts and nuts, dog spikes and square head coach screws. Also, other projects are under investigation. The Company has arranged to purchase all the shares of Messrs. Killick Nixon & Co., Ltd. which would become a wholly subsidiary of this Company.

The financial results show that after providing for taxation (Rs. 12.45 lakhs), there is a net profit of Rs. 10,98,394 as compared to the previous year's Rs. 14,73,024. Together with the balance of Rs. 6,154 brought forward, it totals Rs. 11,04,548. Out of this, an interim dividend at Rs. 4 per share, tax-free, for the period July 1 to December 31, 1955, was paid absorbing Rs. 3,99,896. A final dividend of Rs. 7 per share (making 11 per cent for the year) also free of income-tax, has been proposed which takes away Rs. 6,99,993. That leaves a small amount of Rs. 4,559 to be carried forward to the next account.

BURN & CO., LTD.

The turnover of the Company, for the year ended April, 1956, shows substantial increase in comparison with the previous year. The increase in the value of sales is attributed mainly to increases in prices owing to higher cost of steel. Further, the Company's various refractory works at Raniganj and Durgapur worked a full year, whereas in the previous year four of the works were closed for nearly 8 months. The output at most of the works also was not unsatisfactory.

The accounts for the period under review, which have been prepared in accordance with the new Companies Act, show a profit of Rs. 18,77,284. This is after provision is made for taxation (Rs. 40 lakhs), depreciation (Rs. 12.42 lakhs), and all other charges, and after transferring Rs. 10.50 lakhs to reserve for works reconstruction and expansion and Rs. 18 lakhs to the Salem project reserve. After deducting the usual dividends of Rs. 1.81 lakhs on the preference share capital and adding the balance brought forward from the previous year, there remains a balance of Rs. 17,92,719. Out of this, the Directors have recommended a tax-free dividend of Rs. 20 per share (being 20 per cent). The balance of Rs. 1,12,719 is to be carried forward.

The Company has been experiencing labour trouble from time to time in all its works, which has resulted in minor stoppages as well as total closure for weeks on end. The Directors believe that the cause of the labour unrest is an attempt on the part of some to form a new Union, and not any genuine grievance of the workers.

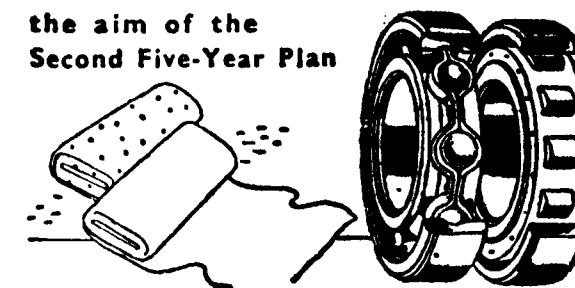
ANGLO-INDIA JUTE MILLS CO., LTD.

The profit of the Company, for the half-year ended March, 1956, is Rs. 1,18,443, after providing Rs. 5.25 lakhs for depreciation, but nothing for taxation in view of the fact that adequate provision had already been made in the next preceding half-year. A sum of Rs. 3 lakhs has been transferred from the Contingency reserve, which with Rs. 1,23,973 brought forward, makes a total disposable amount of Rs. 5,42,416. From this, the Directors have recommended a 7 per cent per annum dividend (Rs. 3-8 per share) on preference shares, absorbing Rs. 1.40 lakhs. Another Rs. 1,72,224 will be paid as dividend, also at 7 per cent (Rs. 3-8 per share) on ordinary shares. That leaves a balance of Rs. 2,30,192 to be carried forward. The transfer of Rs. 3 lakhs from the Contingency reserve was necessitated to cover the debit of Rs. 2,70,141, being the outstanding sales tax liability on account of supplies made to the Department of Industries and Supplies, Government of India. Attempts are, however, being continued to recover this payment.

The difficult position in which the jute goods industry has been working for some time past has already been mentioned here. The price of raw jute has maintained a high level while the demand for manufactured goods has fallen short of expectations. The industry has, therefore, not been able to make a margin of profit. The opening of sealed loomage was only a temporary affair because of the piling up of stocks. However, one encouraging feature of the goods market has been the increase in the internal consumption of jute goods. But the Indian demand absorbs only a small percentage of the total production of the industry.

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COMMODITY NEWS AND NOTES

EXPORT OF SURPLUS

Export of 4.25 lakh bales of shorter staple varieties of Indian cotton was allowed during 1955-56, after taking into consideration the production and demand of indigenous cotton. In 1954-55, 4.9 lakh bales were allowed to be exported. This was stated in a written reply to Mr. M. Valiulla in the Rajya Sabha by Mr. Morarji Desai, Minister for Commerce, Consumer Industries and Heavy Industries. He said the export had been permitted through normal trade channels by issue of licences to established exporters, registered dealers and co-operative societies.

INDIA LEADS IN TEA PRODUCTION

India has the largest acreage under tea totalling 774,621 acres whereas Ceylon with 574,250 acres comes next. India's annual production of tea equalling 588,733,000 lbs. is also higher than that of any other country, the production in Ceylon which comes next to India being 343,034,000 lbs. The other big tea producing countries are Indonesia, Japan and Pakistan with areas equalling 191,420; 79,973 and 74,362 acres respectively, and production equalling 80,669,000 lbs; 98,374,000 lbs. and 54,151,000 lbs. respectively.

India is not only the largest producer of tea amongst the principal tea producing countries but also an equally good consumer with an annual consumption of 175,000,000 lbs. The production of tea in India increased from the pre-war average (1935-39) of 389 million pounds to about 589 million pounds in 1953. This favourable position of increased production of tea in India with a large exportable surplus is due to several factors like competitive prices of Indian tea in the world market, increased outside demand due to the improvement in quality and the propaganda work of the Tea Promotion Council.

INCREASED PRODUCTION OF SUGAR

The production and despatches of sugar from indigenous factories amounted 0.42 and 0.63 lakh tons up to November 15, 1956, in the current season as against 0.34 and 0.64 lakh tons respectively in the corresponding period of last year. The stocks with the factories on November 15, 1956, stood at 5.03 lakh tons as compared with 3.81 lakh tons last year.

EAST PAKISTAN TEXTILE MILLS FACE CRISIS

Cotton mills of East Pakistan are facing grave crisis due to non-availability of raw cotton and irregular supply of coal. A spokesman of the East Pakistan Cotton Mills' Association recently stated all their efforts to get shipping space for 12,460 bales, ready for shipment in Karachi, had proved unsuccessful due to the non-co-operative attitude of the authorities.

HANDLOOM EXPORTS TO US

Possibilities of increased exports of Indian handloom fabrics to the United States have been indicated by the three-member Handloom Survey Team for export to America which has just completed a two-month intensive tour of important handloom weaving centres in India. The team has reached the conclusion that India has a large potential production of handloom fabrics for export. Among these fabrics considered by the team the most beautiful handloom fabrics in the world are many which in its opinion would be of special interest to the American market. The team has suggested that the standards of quality should be improved starting with the dyeing of yarn and continuing through control of production, finishing and export packaging.

CEYLON TO IMPORT INDIAN ONIONS

Ceylon will import 33,000 tons of onions from India within the next six months, it is learnt. India has agreed to release the quantity for export following the talks of the permanent Secretary of the Ceylon Food Ministry with officials in New Delhi.

RUBBER STOCKS INCREASE

Rubber stocks in the country improved further to 7,534 tons at the end of October 1956 from 6,973 tons at the end of the previous month. Of the total stocks at the end of last month, 3,927 tons were with estates and dealers and 3,607 tons with manufacturers. The corresponding figures for the end of September were 3,816 tons and 3,157 tons. Rising production as well as lower consumption contributed to the improvement in stocks. While production in October 1956 improved to 2,320 tons from 2,293 tons in the previous month, consumption fell sharply to 2,103 tons from 2,545 tons. There was also an import of 338 tons during the month under review, against 1,750 tons in September 1956.

COTTON TEXTILE EXPORTS RISE

Exports of cotton piecegoods from Bombay October 1956 improved further to 57,690,000 yards valued at Rs. 40,400,000 from 52,050,000 yards worth Rs. 38,000,000 in the previous month. The improvement in exports was mainly due to increased demand for grey textiles, which accounted for 32,690,000 yards during the month under review against 28,660,000 yards in September this year. Shipments of white cloth also rose to 10,960,000 yards from 9,130,000 yards. Exports of coloured piecegoods, however, declined slightly from 14,260,000 yards to 14,040,000 yards.

UK RADIO EXPORTS

Exports of British radio equipment in October were a record, according to an announcement of the Radio Industry Council. The provisional total of over £3.9 million was £300,000 more than the previous highest level in June this year. In three sections of the industry, the value of exports was the highest for any one month. Capital equipment was nearly £1.7 million components over £840,000 and sound reproduction equipment £765,00. The total for the first ten months of the year, over £32.7 million compared with £33.6 million for the whole of last year, itself a record.

JAPAN RAISES STEEL PRICES

The Japanese Ministry of International Trade and Industry has approved an application by three leading steel companies to raise steel prices by Yen 2500-Yen. 4,000 per ton. It is felt that this latest rise will adversely affect Japan's competitive position in exports of ships and heavy machinery.

IMPORT OF FOODGRAINS

During the week ended November 7, 1956, India received 18,885 tons of wheat from Australia and 7,124 tons of rice from Burma. India has received 923,991 tons of wheat and rice from Pakistan, USSR, USA, Australia and Burma so far since January this year. Recent developments in West Asia have not retarded the flow of foodgrain imports to India as the supplying countries lie to the east. Imports of wheat from Australia and of rice from Burma and China has gone as scheduled. In the case of US wheat, ships have taken the Pacific route and two ships s.s. ORIZABA and s.s. NICO have brought 19,000 tons to Bombay within the last few days.

Company Meeting

THE GREAT EASTERN SHIPPING CO., LTD.

Speech delivered by Mr. A. H. Bhiwandiwalla, Chairman of the Great Eastern Shipping Co., Ltd. at the Eighth Annual General Meeting of the Company held on 6th December, 1956.

Gentlemen,

It is my annual pleasure to welcome you at this meeting and speak to you on the shipping industry in general and the working of your Company in particular.

The Directors' Report and Accounts of the Company have been in your hands for sometime now and with your permission I shall take them as read. The results as you know, are satisfactory. The Report and Accounts contain a mass of statistics on the working of the Company, and I do not propose to inflict them on you here again.

The good results derive largely from our tramping activity and the expansion of our agency business. The year under report also saw the epoch-making acquisition by the Company of the first-ever tanker purchased by Indians. Another noteworthy feature of the Company's activities is its contractual commitment to carry 70,000 tons of rice from Burma to India on Government account. After the end of the financial year and in less than six months, the Company's ships have carried almost the entire 70,000 tons of rice.

TRAMPING ACTIVITY

Your Company has taken active interest in tramping right from its commencement. The adventurous and enterprising spirit with which shipowners have been imbued from the dawn of history attains its high water mark in tramping. Your Company had to face competition of an international character from well-established foreign shipowners; this is an implicit challenge in tramping business. Owing to ignorance and apathy on the part of Indian shipowners, as well as the Government in this country, about the importance of tramping business and its requirements, we had to face not only lack of co-operation, but actual hostility and obstruction, in the form of numerous restrictions that were placed on our "freedom of the high seas". The position has improved with the Government's recognition of the role of tramping in the country's economic life. I am, however sorry to say that the majority of Indian shipowners interested in the liner trade have not yet, to say the least, appreciated its significance. Liners and tramps are like two wings, each equally indispensable to the life and growth of India's shipping industry.

In view of this prevalent bias against tramp shipping, the Government has been influenced and swayed by the liner interests and prejudices, and conditions for the creation and growth of the tramp fleet in this country have not been established. It is hoped that the Government will consider the matter dispassionately and allow the same freedom of operation to tramp-owners in this country as is enjoyed by successful tramp-owners in other maritime countries.

There is a lot of confusion and far from clear thinking about the economics of shipping in this country. In normal peace times and in the absence of emergencies, the maximum operational efficiency and the optimum utilisation of tonnage should guide and govern the

employment of ships. There is nothing sacrosanct about the carriage of India's exports or imports in Indian ships. What matters is the rapid growth and development of Indian tonnage plying on the high seas. This can only be brought about if the Government does not interfere with the employment of vessels and permits tramp operators to follow considerations of operational efficiency and gainful employment which will assist the rapid expansion of the merchant fleet. If some of the Indian ships do not carry part of India's imports or exports, the country will no doubt have to pay the freight charges in foreign currencies. But the Indian ships, which are more gainfully employed in other trades, will earn more foreign exchange than will be paid to foreign ships for carrying part of India's imports and exports. It is the net difference in foreign exchange that matters. The astonishingly rapid progress made by Norwegian and Greek shipowners in recent years would not have been possible if the Governments of those countries had imposed the restrictions which are fettering the Indian tramp operators at present.

The Government restrictions on letting out Indian ships on time-charter to foreigners have acted as a restrictive influence on expansion of Indian tonnage and foreign exchange earnings without doing an iota of good to the country. If an Indian shipping company wants to expand rapidly it must make sure of gainful employment of at least some of her ships for a period of time. Time chartering out of ships provides this sort of employment for an assured period and makes the shipowner immune from the risks of fluctuations in the freight market. With such a hedge he can afford to take the risks of the freight market by building and/or purchasing more ships at the prevailing high level of prices in the place of those chartered out. More-over tramp operators have to judge the freight market and at times to cushion off the risks of a fall in the market by letting out some of their vessels on a time basis. The only difference between letting out a ship on a time basis and fixing her for a voyage is the difference between the wholesale selling of freight and the retailing of freight. Whilst the Government has no objection to the retailing of freight, it has prohibited wholesale selling of freight to the great detriment of the shipping industry. May I earnestly appeal to those in authority to examine this question dispassionately and exempt at least tramp operators from the restriction on letting out of their vessels on a time basis?

We ploughed a lonely furrow and persevered when the sun was not shining so brightly on the tramp trades. We carried wheat in bulk from West Australia to India at 55 Shillings per ton as compared with today's rate of 140 Shillings. Our shipowner friends then said "Tramps are a dying breed". What do we find today? Tramps are flourishing at present more than liners. The post-war development of shipping proves that countries which stuck to liner services only have increased their tonnage at a slower pace than the countries engaged in tramping. My appeal therefore to all concerned is not to pass a hasty judgment on the comparative usefulness and importance of tramps and liners. Both tramps as well as liners have their respective roles to

play in the development of shipping and tramps are far from being either a dying or a useless breed.

I am pleased to inform you that from occasional tramping we have advanced a stage further and have formed a permanent nucleus of ships for our tramp activities. Our present tramp fleet consisting of s.s. "Jag Vijay", m.v. "Jag Laadki" and s.s. "Jag Shanti" will be considerably strengthened by the addition in February 1957 of the largest cargo ship on the Indian registry viz., m.v. "Jag Laxmi" of 12,080 tons deadweight, which will be completed and delivered to us by a Japanese shipyard. The earnings from tramping have contributed a good deal to the satisfactory results achieved during the year under report.

Let me however utter a word of caution. Tramping is very susceptible to trade cycles. Booms and depressions alternate much more intensively in this line of shipping. It is therefore most important that a tramp operator should consolidate and strengthen his position in good days in order that he comes out unscathed in bad days which inevitably follow in their wake. It is hoped that the Government will create a suitable climate in which tramping as well as liners can flourish side by side and accelerate the development of Indian shipping. May I reiterate that I have nothing against my friends in the liner trades and it is my conviction that both liners and tramps must understand each other and live together.

AGENCY BUSINESS

With the securing of the agency of the Hellenic Lines Ltd. of Piraeus and New York, your company's agency business has grown considerably. During the calendar year 1956 we shall have handled more than 100 ships as agents at Indian ports. The vessels of the Hellenic Lines with their sailings from Indian ports to the USA ports, the vessels of the Yamashita Line and a number of other tramp operators have brought considerable revenue to the Company and have added to the earnings for the year under report. The growing tendency on the part of foreign shipowners to entrust their agencies in India to nationals of this country is a welcome development. Your company being a shipowner itself, is ideally placed to look after the interests of foreign shipowners at Indian ports, and render first-class service. This has not only meant better business and full satisfaction to these principles, but has also ensured improved revenue and better returns to you. This agency business has also enabled your company to establish valuable contacts and cement mutually remunerative business relationship, besides providing valuable experience in new trades and lines.

TANKER "JAG JYOTI"

The 12th of April 1956 will rank as a memorable and eventful date in the history of Indian shipping, because it was on this day that the first-ever Indian-owned tanker was acquired by your Company. The Transport Minister's recognition of this pioneering will have heartened and thrilled you. The tanker has been chartered out to the Standard Vacuum Oil Company for carriage of refined products on the coast. The teething troubles have been overcome and your company is gaining very valuable experience in this new line.

In fact your company wanted to purchase a second tanker. Instead the Government has acquired a tanker for their Shipping Corporation. With the acquisition of these two tankers, I am glad to say, the country has just made a beginning in this vital branch of shipping. With increasing industrialisation and mechanisation of agriculture and the rise in the standards of living, the demand for oil is bound to grow up considerably. The country will therefore need a sizable fleet of tankers

for the carriage of crude oil from oil producing countries to India and distribution of refined products on the coast. A good beginning in the carriage of crude oil to India can be made by the building and acquisition of two super-tankers of 36,000 tons deadweight each. Although it is announced that the Government proposes to acquire and operate further tankers in the public sector, I for one cannot believe that it is the Government's unalterable intention to exclude private enterprise from the task of nation-building in this important field. I therefore request the Government to dispel the doubts and declare categorically that it will change its policy towards acquisition of tankers or super-tankers by Indian shipping companies. The building up of a tanker fleet will require considerable funds and I hope that the Transport Minister will be successful in his endeavours to secure additional allocation of finance for shipping.

CARRIAGE OF RICE FROM BURMA TO INDIA

With the rise in the international freight market, the Burma-India Conference which was catering to this trade and which included some foreign shipping companies, folded up its tent and declared its inability to cover this berth except at fantastic freight rates. It was the same Conference which had prevented in the past young Indian Companies, like ours, from participating in this trade monopolised by their members on the pretext that the berth was adequately covered by their members and therefore they could not allow outsiders to participate in this trade. When the members of the Conference declined to lift this vital movement of rice from Burma to India, your Company approached the Government and assured them of our willingness to co-operate in the essential movement of rice from Burma to India at reasonable freight rates. Subsequently, I am glad to say, Indian shipping companies undertook to lift 3 lakh tons of rice from Burma to India in six months at freight rates which were 20 to 25 per cent lower than those indicated by the members of the Conference. Your Company has almost fulfilled its commitment for the carriage of 70,000 tons of rice ahead of others and has thus established its claim to a 25 per cent share in this trade.

COASTAL TRADE

It will please you to learn that the fulfilment of your Company's commitment to carry Burma rice did not adversely affect the liftings on the coast. Unlike others, your Company chartered outside tonnage and ensured that the carriage of coastal cargoes in the Company's vessels was not adversely affected. In fact our coastal liftings amount to a quantity which could only have been lifted by the engagement of all our owned vessels in the unremunerative coastal trade. It is a creditable achievement especially because your Company, like other companies, could well have diverted some of its coastal tonnage to the Burma-India rice trade without bothering to charter additional tonnage at the present high charter rates. In view of the uneconomic freight rates on the coast, any diversion from the coast brings in some sorely needed relief. However, your company resisted this common temptation and has continued to maintain its coastal liftings.

The uneconomic coastal freight structure can be evidenced from, among other things, the extremely slow growth in coastal tonnage as compared with overseas tonnage. In fact no one can afford to buy, for coastal operation, ships at today's very high level of prices and high costs of operation and run them at low and uneconomic freight rates. The Government's persistent refusal to permit a commensurate rise in the coastal freight rates has administered a setback to the cause of Indian shipping. If the Government had conceded economic freight rates in time, shipping companies would have acquired additional tonnage for

coastal operation at reasonable prices at the most opportune time. It is no use now crying over spilt milk and let us hope that the Rail-Sea Co-ordination Committee which has examined this question thoroughly will recommend to the Government the necessary increase in the coastal freight rates, so as to bring them to an economic level.

The inadequacy of the coastal tonnage in relation to the cargo offering for coastal movement will be greatly aggravated with the progressive execution of the second Five-Year Plan and enormous increase in the quantum of cargo that is expected to be moved by coastal vessels. We feel sure that the rising tempo of various schemes and projects under the second Five-Year Plan will bring about a transport bottleneck in the country. The Railway and road transport will not be able to handle all the increased traffic and the coastal movement by sea may be expected to increase progressively from 3 million tons to about 5 million tons per annum. Meanwhile a number of old coastal vessels may have to be scrapped. The problem of replacement and expansion of coastal tonnage therefore assumes great urgency and importance.

Your Company was among the first to be seized of this problem. The freight rates on the coast, even allowing for any increase that may be recommended by the Rail-Sea Co-ordination Committee and accepted by the Government, cannot bear the extremely high cost of new or second-hand tonnage. This is because in the ultimate analysis the coastal freight structure is bound to be influenced by the railway tariff. The railways carry an overwhelmingly large proportion of the country's internal traffic and the coastal freight rates therefore cannot be far out of step with the railway rates. The shipyards of the world are fully booked and delivery of new ships cannot be expected 3 or 4 years. Second-hand tonnage is extremely scarce and the very few ships that are offered are quoted at fantastic prices.

My colleague on the Board, Mr. Vasant J. Sheth toured the UK, the USA, Europe and Japan to see if any way could be found out of the prevailing tonnage crisis. He found that the only country which could assist India is the USA with her moth-ball fleet and her generous tradition of assistance to under-developed countries. On his return to India, the Company decided to pursue the matter earnestly and deputed the Company's former General Manager Dr. Sen to the USA. For four months Dr. Sen persisted in his skillful advocacy of India's dire need for ships, which could only be met by the release of liberty ships from the moth-ball fleet of the USA. The Government of India and the Indian Ambassador in America Mr. G. L. Mehta lent their weighty support and made their good offices available to Dr. Sen. After protracted negotiations and conferences with various Executive Departments of the US Government, Dr. Sen felt confident of their support of enactment of suitable legislation for the release of liberties from the Mothball fleet to India. However, because of the impending elections in that country, it was too late to introduce the necessary legislation. Now that the Administration has emerged successful in the elections, I have every hope that the necessary legislation will be passed shortly and that at least 12 liberties will be released to our country.

These second-hand liberty ships which, though ageing, have been kept in good condition, are urgently required to augment our coastal tonnage in the transitory period and to avert a transport crisis. By releasing them now the US Government would have helped us before these ships run out their useful life and become obsolete in their stables. With the progress of the second Five-Year Plan there is bound to be a very

severe tonnage crisis on the coast. These snips will just help us tide over the crisis in our transport system and thereby assure the success of our second Five-Year Plan. If the USA Government requires an undertaking that these ships would only be used for our coastal trade and not for competition with the US Liners, this may be given on a Government to Government level. It cannot be regarded as an unreasonable demand in view of the US Government's legitimate concern to safeguard their own interest. What is most important is that we must get going and save ourselves from being engulfed in a transport crisis. It is also clear that these ships could be utilised for the coastal trade only if they are released at the usual prices and not at the international level of prices. The coastal trade with its low freight rate structure will not be able to bear the incidence of the high international price level of ships.

In the conditions as they exist in the world today, we are sure that it is only the US Government which can assist a young country endeavouring to build and consolidate a democracy on foundations of unregimented economic planning and well-being. Other powers are in no position to assist our country in this direction. Our Prime Minister is visiting the United States and perhaps during his visit the release of US Liberties could be arranged. If the Government desire to pursue this vital matter we are prepared to send our representative to the States in order that he may be available on the spot for necessary consultations.

Your Company took the initiative and have put in considerable efforts for the release of liberties from the mothball fleet of the USA. Out of 12 liberties proposed to be released to our country, we can legitimately claim an allotment of six liberties for our coastal fleet. Three or four liberties will serve as timely replacements for the three or four coastal time-charters which will be expiring shortly and the remaining two or three liberties will be a welcome addition to our coastal fleet. Your Company is prepared to finance up to 50 per cent of the cost of these ships from its own resources.

PORT FACILITIES AND DOCK LABOUR

The progressive implementation of the second Five-Year Plan would not only bring about an increase in the coastal movement by sea but will also increase the foreign imports of capital goods, machinery and raw materials into the country. The present port facilities in the country are woefully inadequate. Congestion at ports and delays to ships which are common even at present are on the increase. It will therefore be an impossible task to handle the enormously increased coastal and overseas traffic at the ports without a speedy and commensurate improvement and expansion of port facilities. Otherwise, I am afraid, we shall not only be unable to handle the increased traffic, but would also pay heavily for the limited traffic in terms of increased transport costs and waste of national tonnage as a result of dislocation and congestion at the ports. The Government would therefore be well advised to accord top-most priority to the improvement and expansion of port facilities.

The introduction of the piece rates in Bombay has had a salutary effect on the output and earnings of dock labour. It is essential that the piece-rate system should be extended to all the ports. It is hoped that increasing co-operation between employers and dock labour will improve the turnaround of ships and will enable them to carry more efficiently the increased overseas and coastal traffic.

FLEET EXPANSION

Your Company started its operation in 1943 with one liberty ship which was acquired for about Rs. 22

lakhs. At present the Company owns eight ships worth Rs. 3.25 crores at cost and much more at market value. The three new ships which are on order will cost a further sum of Rs. 3.75 crores. By the time this young Company of yours is 11 years only, we shall have invested as much as seven crores of rupees in the shipping industry and become owners of 11 vessels—a steady accretion of one vessel each year.

I have taken into account only the committed expansion programme of the Company. The allotment of liberties from the US mothball fleet and part of the expansion programme submitted by us to the Government in pursuance of the second Five-Year-Plan, have not been taken into account. We are still awaiting the Government's decision on our expansion plan submitted to them in February 1956.

CAPITAL STRUCTURE

The initial paid-up capital of the Company in 1948 was a modest figure of Rs. 20 lakhs. Since then your Company issued bonus shares twice, issued new equity shares of Rs. 20 lakhs and preference shares of Rs. 25 lakhs. The paid-up capital of your Company thus stood on 30th June, 1956, at Rs. 65 lakhs, out of which Rs. 60 lakhs was equity share capital and Rs. 25 lakhs preference share capital. With the present issue of Rs. 60 lakhs in equity shares, your total subscribed capital will rise to Rs. 1.45 crores and subscribed equity capital to Rs. 1.20 crores. Your directors took the decision to increase the capital not only because your Company was undercapitalised in relation to the cost of the fleet, but also because they wish to maintain a healthy ratio between the risk-bearing capital and loan liability of the Company to the Government.

PROSPECTS

Our tramps are doing very well m.v. "Jag Laxmi" which is expected to be delivered in February 1957 will operate for four months in the current year. The earnings from the operation of the tanker, agency business, Burma-India rice trade and 4 months trading of m.v. "Jag Laxmi" will also be reflected in the current year's results. Subject to unforeseen circumstances, therefore, I visualise a bright future for your Company in the current year.

In the five months ending 30th November, 1956 the gross freight earnings have been Rs. 144 lakhs as compared with Rs. 96 lakhs for the corresponding period during the year under report. If the remaining seven months maintain the promise of the first five months of the year, the gross freight earnings should reach the target of Rs. 3 crores, as compared with Rs. 2.11 crores for the year under report. On this assumption and in the absence of any unexpected setbacks or deterioration in trading conditions, it may be possible to maintain the dividend on the increased capital.

GOVERNMENT ASSISTANCE

I have time and again criticised these policies and actions of the Government which in my opinion, are retarding the development of shipping. By and large, however, the Government is endeavouring its level best to develop Indian Shipping by grant of generous loans and many other measures of assistance. The Transport Minister, The Transport Secretary, officials of the Transport Ministry, The Director General of Shipping and his staff have all continued to assist and promote the cause of Indian Shipping. Your Company owes a deep debt of gratitude to them all. It is a rare experience that Government departments go out of their way and take the initiative in conveying useful information and providing valuable guidance to com-

panies even on telephone. With such assistance from Government, I am sure, your Company will march forward to new milestones of progress and play its rightful part in what our Prime Minister aptly called "the mighty adventure of building a new India".

The news about the resignation of Shri Lal Bahadur Shastri as Transport Minister has been received with great regret by all and especially those who have first-hand knowledge of his sincerity and devotion to the cause of Indian Shipping. It is hoped that his qualities will be utilised in same responsible capacity for the good of the country.

You will, gentlemen, undoubtedly wish me to extend a cordial welcome to Shri P. R. Subramanian, Senior Deputy Director-General of Shipping, who has recently joined the Board of your Company as a Government Director. Mr. Subramanian is an able officer with a long experience of shipping problems, his association will therefore be of great benefit to your Company.

Gentlemen, I am sure you will join me in expressing our well-deserved appreciation and thanks to the staff, both afloat and ashore, for their devotion to duty and the way in which they have shouldered increasing responsibilities as a result of the rapid expansion in the activities of the Company.

I thank you Gentlemen, for giving me a patient hearing.

May I now move that the Report and the Accounts for the year ended 30th June, 1956 be and are hereby adopted?

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

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

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

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100)						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debt-tures	Preference	V. D. I.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
February 1956	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August	397.0*	500.5	406.4	387.7	585.3*	418.5*	90.3	100.3	85.2	127.5
September	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
Week Ending 29-9-1956	391.0	504.4	405.9	391.5	588.0	418.9	90.6	100.3	83.4	126.2
6-10-1956	388.7*	504.2	404.7	390.0*	584.2	417.8	90.5	100.3	83.0	125.9
13-10-1956	393.7*	503.2	401.5	390.0	585.5	418.8*	90.5	100.3	82.7	125.0
20-10-1956	395.6	505.6	405.3*	386.5	581.9	418.7*	90.4	100.3	82.6	124.8
27-10-1956	391.8	497.9	408.6	386.5	589.5	417.2	90.3	100.3	82.6	123.9
3-11-1956	390.5	502.4	411.3	388.5	590.5	419.7	90.2	100.2	82.5	123.6
10-11-1956	411.1	504.0	415.9	389.6	588.8	426.4	90.2	100.2	82.3	123.1
17-11-1956	418.3	518.3	418.9	386.1	589.1	430.4	90.0	100.2	81.5	122.4

†Economic Adviser's Series. ††Reserve Bank Series. Revised*
Average of weeks.
CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	260	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
January	318	334	226	139	319	404	378	146	334	147	138	133
February	321	337	224	137	315	394	385	142	333	146	132	133
March	334	350	230	139	325	398	387	147	340	148	142	138
April	342	358	239	140	338	409	397	147	354	151	144	142
May	341	357	236	141	342	408	397	153	356	151	144	143
June	342	358	240	141	350	419	369	156	365	151	146	148
July	338	354	244	144	365	436	—	153	369	153	148	—
August	344	361	253	147	369	445	—	—	372	—	—	—
September	336	352	256	—	366	445	—	—	368	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	23-11-1956			16-11-1956			9-11-1956			2-11-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola	106-3	105-3	105-11	105-14	103-11	105-10	105-14	104-0	104-14	106-9	103-14	105-0
Silver (per 100 fine tolas)	175-15	173-13	174-9	174-14	171-13	173-8	174-0	171-14	172-13	174-10	171-13	172-13

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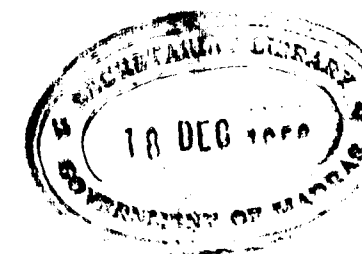
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There will be no issue of "The Eastern Economist" on Friday, December 21, 1956. The next issue will be the Annual Number, "India in 1975", priced Rs. 7-8, but supplied free to subscribers on the list on the publication date, December 28, 1956.



The Eastern Economist

VOL. XXVII. NO. 24.

NEW DELHI: DECEMBER 14, 1956.

ONE RUPEE

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Thrust, Parry and Thrust

THE Annual Meeting of the Associated Chambers of Commerce held in Calcutta on December 10 was notable for the atmosphere of extreme good-humour in which it was held. One might have expected at least the groans of the afflicted, seeing that the meeting came within a week of two quite distressing Finance Bills. Even apart from the Finance Bills, the prevailing philosophy at Delhi is certainly not being easily digested in Calcutta. One might have expected the patient to submit a little querulously, on the advice of an all-knowing doctor, to the distressing physical responses to earlier medicines. There was no hint, however, that the patient was really sick.

Mr. Oscar Jenkins, President of the Associated Chambers, was right not to alter the broad character of his speech, which, as one needs to remember, was already in the hands of the Minister of Finance, before the offending Finance Bills were introduced. *Noblesse oblige.* There was, however, more than one sentence to indicate, al-

beit with extreme good humour, the feeling of dismay which Mr. Krishnamachari's 'dynamism' so ably exercised in the Ministry of Commerce and Industry is now impinging in a more painful manner on the business community. Mr. Jenkins referred to the activities of the burglar — 'the most private of all private enterprises' — and Mr. Krishnamachari, accepting the analogy, described himself as a modern Robin Hood, perhaps a less colourful personality but nevertheless an 'altruistic' burglar robbing the rich for the benefit of the poor. To the onlooker it appeared that the representatives of the public and private sectors were in no great disagreement in their description of the shape of things to come. One might have judged from this well-prepared exercise in parry and thrust that the division between the business community and the Government was not deep and growing. This, of course, is the reverse of the truth.

In the debate in the Lok Sabha this week the Finance Minister cast off his agreeable role of

conciliation, and showed a malicious determination to deal the private sector, big or small, blow after blow, until it conformed entirely to his arbitrary pattern of the sacrifices needed for the fulfilment of the Plan. One must applaud the determination which the Finance Minister has shown to pursue the Plan to the finish. It is quite unwise, as Mr. Jenkins has had the foresight to see, at this late hour to question the size of the Plan, although one may well question the facile assumption which is now being made in Delhi that, if prices rise we must face with equanimity any additional impost, which the size of the original Plan makes necessary. The private sector should share with Mr. Krishnamachari the whole-hearted acceptance of the original Plan. It may have to be cut but let the country, not the private sector, choose this course. The private sector must show that, to the extent it is permitted to function, it is always willing.

To the extent that it is permitted, this qualification is supremely important. It is here that the battle with Mr. Krishnamachari should be joined. It is quite futile for the private sector to smile away its deep concern at the basically wrong philosophy, which is responsible for the Finance Minister's current measures. Nobody should object to his seeking to obtain money for the fulfilment of the Plan. Everyone should object, if, in the process of obtaining that money, he succeeds in not fulfilling the Plan, but in wrecking it. Mr. Krishnamachari is drastic, merely because he needs money, in the destruction of private incentives, which alone in the last analysis in a country so vast can lead to production, which is the kernel of the Plan, however conceived. Of what value would it be to the Finance Minister to have all the paper rupees that he requires, if they could not be translated into production, the incentives for which will have been destroyed by the manner in which the money was collected? Thus, it comes about that Mr. Krishnamachari's invincible determination to achieve the Plan can only be applauded if one recognises that his initiative will attain the production targets of the Plan, and not merely place in his hands monetary resources, which will then mock him by their impassiveness. The Old Lady of Threadneedle Street can be quite as bad as the old lady with her stocking. An excessive pre-occupation with money (as against production) can produce myopia. Is India's Finance Minister developing a thirst for money so absolute that he considers that monetary resources in themselves provide the answer to the Plan?

Mr. Krishnamachari himself is a dynamic administrator, and one might hope that he will accomplish his steel plants in the public sector before 1960. But would Mr. Krishnamachari contend that other Ministries in the Government of India are equally efficient and can accomplish as much of the Plan with the generous resources that he is now prepared to afford to them? It is known that Mr. Krishnamachari has no very high opinion of certain other Ministers of the Government, also charged with production responsibilities. Is he wise — indeed is he even logical? — when the problem is production, to withdraw incentives from the private sector, which constantly overfulfils targets, in order to place more resources in the public sector, which habitually underfulfils them? The Plan assumes not only a certain volume of resources; it assumes that these money resources are in the hands of the instruments of production most competent to translate them into production as scheduled. To take away money

from strong producers to give it to weak producers is merely to defeat the Plan. This is the major error of his Finance Bills; it underlies his whole philosophy.

Thus it comes about that, interesting and even amusing as the meeting of the Associated Chambers was, it answered no questions, which are vital to the conduct of Indian financial policy during the period of the second Five-Year Plan. It is appropriate, therefore, that the meeting should be dealt with lightly and it has, therefore, been handed gently to Argus, the author of 'A Delhi Diary' in this issue. This is the place for a far less cheerful view to be taken of the Finance Minister's outlook and policy.

To argue that taxation must be raised is not the same thing as to argue that taxation will be neutral to the sector from which it is taken. To argue again that the Plan must be fulfilled, and, therefore, resources are necessary at any price is not to argue that the Plan will be fulfilled merely because of monetary resources snatched from private producers. To place a Democles' Sword over the private sector, so that it will not know from one month to another when Robin Hood will next arrive, will end merely in a refusal of the private sector to undertake expansion, except against Government orders; meaning, since the Plan is heavily biased in favour of capital goods, a great short-fall of consumer production, which will unloose more inflation at a critical time. All these are logical consequences of the Finance Minister's present policy. It is blind in its attitude to inflation, to which it has contributed not a little. All prices except stock exchange prices will rise. Since stock exchange prices do not enter either into the General Index of Wholesale Prices or the Cost of Living, these measures are inflationary. Since the production component is likely for the next few years to be more important than the mere withdrawal of money (and money in any case cannot be withdrawn since Government expenditure will continue to rise) the Finance Minister's present policy is a policy promoting inflation. It is also a policy designed, whatever simple view he might take of the problem of 'resources', to hurt consumer production so much that the fulfilment of the Plan will be impossible.

No remedy also can be found by calling in the public sector to replace the private sector whose funds are now subject to seizure under the Finance Bill. The public sector is just not equipped to do anything more than it is already doing at the present time. Thus, it comes about that one looks on the situation which the Finance Minister has produced, and on the exposition of deeds to come, with no good cheer. Not, indeed, because of the volume of taxation. The Indian people at all levels will contribute to this Plan by phenomenal sacrifices if necessary, provided it can be shown that these sacrifices are necessary for the Plan. But the sacrifices which are now being imposed are not likely to result in additional production and, therefore, are likely to result in lesser fulfilment of the Plan and to generate more inflation in the process. The Finance Minister is most dangerous when he is being most plausible. It is plausible to argue that he must have resources for the Plan; but the Plan's job is production, not the collection of resources. The Finance Minister is confusing means with ends. Who will give him back the perspective which a year back he seemed to have in such large measure? The perils of his wrong thinking at the moment are great.

Reappraisal of Resources

IT is somewhat extraordinary that the resources budget of the second Plan which has all along roused certain expectations in the public mind has come in for a reappraisal in the very first year of the Plan. The National Development Council which has just met and taken stock of the situation also appears to have been painfully aware of a widening gap in resources. The Prime Minister in particular has warned against the danger of over-straining the entire economy in their enthusiasm to get things done and go faster. Does this mean that the planned outlay might have to be cut back to a lower size or it might have to be spread over a longer period than five years? Instead of venturing to say this openly at this stage the Council has chosen to reach certain general conclusions some of which are mutually contradictory in character.

One such conclusion (or recommendation?) is that the target for additional taxation should be raised from the Plan figure of Rs. 450 crores for the five-year period in view of the higher costs of projects and the additional schemes for which provision is considered necessary. What the additional 'additional taxation' should be, the Council has omitted to indicate. Prime Minister Nehru has, of course, estimated provisionally that the targeted public sector outlay of Rs. 4,800 crores (covering both investment outlay and current developmental expenditure) in the second Plan period may go up by about Rs. 500 crores. If it is assumed that the addition foreign exchange requirement on the score of increases in prices of capital goods may be anything from Rs. 100 crores to Rs. 200 crores, the additional resources required internally may be anything from Rs. 300 crores to Rs. 400 crores. At the same time, the Council has suggested that the amount of deficit financing would have to be lower than the level (Rs. 1,200 crores) contemplated in the Plan. How much lower it should be, the Council has again omitted to indicate. If it is to be lower by some amount, the gap in internal resources may well be increased to that extent. (Incidentally the uncovered gap of Rs. 400 crores visualised in the Plan itself will also be there as an additional headache). Surely it cannot be the intention of Planners to cover the entire gap by further 'additional taxation'. It is not necessary here to labour the point that an overall additional taxation of more than Rs. 750-850 crores is too optimistic a proposition in spite of the Finance Minister's emphatic statements that "there is no such thing as optimum in the field of taxation" and that "the least taxed countries are not always the most developed". The Finance Minister may well realise that there is certainly such a thing as an optimum for taxation in under-developed countries and that the most developed countries which are now most taxed were least taxed at the stage when they were least developed.

Although the target for additional 'additional taxation' has not been indicated, it is not likely to be inconsiderable, judging from the fresh taxation measures brought forward subsequent to this year's Budget and from the pronouncements of the Finance Minister. The Development Council has agreed that a tax at a uniform rate should be levied on commodities such as automobiles and radio sets. The Council's proposal to replace the sales tax levied in States on mill-made textiles,

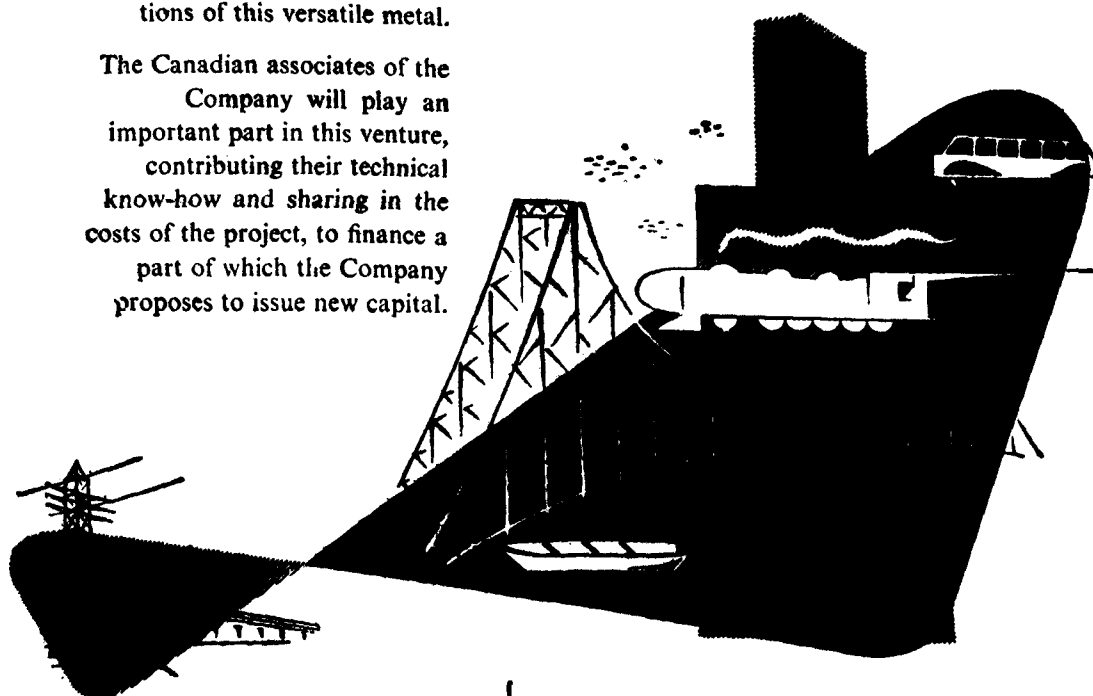
tobacco including manufactured tobacco, and sugar by a surcharge on the Central excise duties on these commodities is probably intended to streamline a part of the structure of indirect taxation. It may be incidentally recalled that a similar proposal for the integration of the sales tax on cotton textiles with the excise duty met with strong opposition from the State Governments and was dropped from the purview of the Central Sales Tax Bill. Whether this would be increased from time to time, is the question; it appears it may well be. At the same time direct taxation may also come in for some increase which is likely to be larger than that in indirect taxation. This is bound to reduce still further the resources available for the 'private sector' part of the Plan at a time when all the factors listed by Mr. Nehru as contributing to a wider gap in resources for the public sector operate in respect of the private sector as well. As, however, 'additional taxation' is not likely to net in anything like Rs. 750-850 crores or more in five years, either deficit financing might have to be on the scale originally contemplated or on a still higher scale, or the targeted outlay in the public and the private sectors (Rs. 4,800 crores plus Rs. 2,400 crores) might have to be cut down to a manageable size if the Plan is to cover five years.

Another conclusion of the National Development Council is that exports should be increased and non-essential imports cut down with the object of reducing the gap in external resources needed for the Plan. Although no elaborate discussion of the foreign exchange gap is intended here, it may be useful to recall the Finance Minister's own observations that "we have not imported one per cent more of consumer goods than what is normal or what is necessary" and that "the imbalance in our foreign trade is being created by the import of iron and steel and capital goods and also some of the necessities". If, thus, there is a physical limit to the cutting down of imports, is there any better chance of increasing our exports? It is here that, quite apart from other factors, the question of taxation with its increasing additions has a deal of relevance. The effects of import and export duties in particular on foreign trade have always received much attention, but the effects of other kinds of taxes on a country's foreign trade have been mostly ignored so far. That our increasing taxes (other than export and import duties) might adversely affect our exports, is not a negligible consideration.

It is well known that, given a certain commercial policy by governments, relative money costs in the different countries govern the exchange of commodities, even though the existence of monopolies causes deviations from the pattern of trade that would otherwise exist. How a country's tax policy may affect the competitive capacity of its export industries, it is not difficult to infer. It is common knowledge that the rigidity of the wage structure (as in India) leaves hardly any room for readjustment to newer and heavier taxes. The limits to any increase in export prices are also rigidly set by competitive forces in foreign markets. Where the increase in money costs cannot get reflected in export prices, both the volume of exports and the development of export industries would be inevitably hampered. This applies in particular to India which cannot be described as the least taxed country in the world.

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THE WEEK'S NOTES

DR. AMBEDKAR: SYMBOL OF REVOLT

DR. B. R. AMBEDKAR'S death has removed from the Indian political scene a tireless champion of the backward classes, a capable parliamentarian and a keen jurist. The part he played for nearly thirty years in this country's politics may sometimes have been controversial, but it was always distinguished. One cannot forget that Dr. Ambedkar came from one of the most oppressed sections of the Indian people and that he had to struggle hard before he could reach the front-rank of Indian social and political life. No one who had battled so hard could emerge without leaving or receiving scars; the surprise is that Dr. Ambedkar should have emerged with so few.

His ceaseless preoccupation with the question of amelioration of the conditions of his community and of the backward classes in general, is only understandable. This did, to some extent, colour his political outlook and his approach to all problems and gave edge to his actions and utterances. To this should also be ascribed his frequent estrangement from his friends and followers, and consequent ploughing a lonely furrow in Indian politics. His final renunciation of Hinduism and conversion to Buddhism along with thousands of his followers a little while before his sudden death also derived from the same cause. This was a symbolic act of defiance.

However, when one considers his bitterness dispassionately one will find that he was little to blame for the sharp language he often resorted to or his seemingly perfervid zeal. It was the evil of untouchability that was to blame and the iniquitous social system that denied human dignity to millions of people. In Prime Minister Nehru's words, Dr. Ambedkar's "virulent opposition kept people's mind awake to the oppressive features of Hindu society".

As free India's first Law Minister, Dr. Ambedkar became author of the abolition of untouchability which is now a penal offence. He also undertook the reform of the antiquated Hindu Law. It is somewhat of a pity that his political activity should have generally overshadowed his high scholarship. Not many perhaps know that he was a distinguished student of economics and sociology, besides being a great lawyer. His multifaceted mind was of immeasurable contribution to the framing of the Indian Constitution. In truth, he will ever be remembered as its chief architect.

WORLD BANK AND INDIA

THE RECENT exchange of letters between the World Bank President and the Indian Finance Minister has marked a new chapter than augurs well for greater and closer collaboration of the Bank in the financing of India's second Five-Year Plan. Incidentally it has served to bury an unfortunate controversy that arose over certain passages in Mr. Black's earlier letter which were mildly critical of certain policies of the Indian Government and, more especially, of its policy towards private enterprise. The restrained and moderate reply of Mr. Krishnamachari has obviously had its effect because while affirming that "our judgment of values is slightly different from that in countries which are highly developed and rich", the Finance Minister also emphasised that the "differences (between the Bank and the Indian Government) are not quite as great as they seem to appear in public debate". And the Finance Minister's interpretation that Mr. Black's letter was no veiled threat to withhold aid for India is confirmed by the latest exchange of letters. The talks the Indian official delegation have had with Mr. Black have also dispelled whatever misgivings that might have remained, and the result should now give this country much relief and satisfaction.

Mr. Black has now outlined the specific loans which the Bank contemplates for the near future. These include not only a loan for the railway development programme and aid for surface transportation and certain projects in the public sector but also aid for the second expansion programme of IISCO. The generous compensation given to the Kolar Gold Mines after its recent nationalisation has also gone some way in allaying the fears of the private foreign investor. The cumulative effect of all this is seen in the tone of restrained confidence displayed by the Finance Minister at Calcutta this week on the foreign exchange position. "The large measure of assistance from the US and the expected assistance from the World Bank," he said, "makes the position somewhat easier than it was a month ago". It is noteworthy in this connection that 'The Economist' of London has discerned a great significance in the recent turn of events. "The exchange of letters between the Bank and India", it says, "indeed seems to have achieved all that could be desired. The Bank has shown to its backers a prudent concern that their money should not be wasted. But it has also made it clear to India that it can expect backing from the Bank on a scale larger than anything the Bank has so far undertaken anywhere."

NEPAL: DEMOCRACY'S TESTING-GROUND

THE VISIT of the Nepalese Prime Minister, Mr. Tanka Prasad Acharya, to India is of great significance to our two countries. It will, as Mr. Nehru said, assuredly strengthen further "the silken bonds of history and culture" that have tied this country with Nepal from times immemorial. But its importance does not end there.

Since Communist China's conquest of Tibet in 1950, Indians have been painfully conscious of the welfare and security of the people of that mountain-girt Kingdom. Its economic backwardness, its undefined northern frontiers, and its nascent democracy, make Nepal vulnerable to Communism—militarily and ideologically. Nepal's subversion would render India's northern frontiers "naked" and defenceless. Its freedom and progress are, therefore, of special interest to this country.

History has, it would seem, selected Nepal as one of democracy's chief testing-grounds in Asia. Democratic India and Communist China are, in a sense, already wrestling for its soul. It is as part of this struggle that China advanced a loan of Rs. 60 million to Nepal notwithstanding its own dire financial needs. The Nepalese Prime Minister had, perhaps, this in mind when he referred to "the clash of political ideologies in Asia". He also significantly, though a little despairingly, remarked that "the dangerous world situation has cast its shadows on all nations. Weak countries like ours have to be very cautious".

Mr. Acharya seems fully conscious of the dangers of supping with the devil without a long spoon. His remark that "Nepal's progress depends on India's own" is not without significance, in this context. It is to be hoped that his present visit would be utilized to draw up a comprehensive scheme for Indo-Nepalese economic co-operation, for which India's promised assistance of Rs. 100 million for Nepal's first Five-Year Plan should provide a solid basis. Assistance has also to be given to it to develop an efficient administrative machinery which would be capable of effectively utilizing the money it obtains from abroad. This is necessary since the people of Nepal, as the people elsewhere in Asia, are not likely to remain satisfied for long with the trappings of political democracy: their new-won freedom should be of practical assistance to them in combating the ancient familiar plagues of hunger, ignorance, and disease.

INCOME-TAX POOL: U.P.'S DEMAND

THE FINANCE COMMISSION, now on its itinerary, finds itself confronted with different claims put forward by different States for the distribution of the net proceeds of income-tax between the Centre and the States and the allocation of the States' share among the States. The controversy over the divisible pool is an old one and is mainly centred on two distinct schools of thought. One is that the tax should be distributed on the basis of contribution and the other is that it must be done on the basis of the needs of the States measured by the population within their respective jurisdictions. Mr. K. Santhanam, Chairman of the Finance Commission, has now stated that Uttar Pradesh has demanded that the States' share should be distributed on a population basis.

It is true that in federal finance, the theory of contribution is giving place to the theory of equalisation and the trend is now to raise taxes from territories where there is ability to pay and to appropriate the proceeds more and more to uses in territories where they are needed. The fact is that 74.4 per cent of the divisible income-tax is collected only in two States, Bombay contributing 45.8 per cent and West Bengal 28.6 per cent. The last Finance Commission presided over by Mr. K. C. Neogy went thoroughly into the question and finally decided that the elements which should enter into the appropriate scheme of distribution should be: (1) a general measure of needs furnished by population and (2) contribution. Though the Commission felt that there was no question of considering the distribution of the tax on the basis of returning to a particular State the whole or part of the collection in its area, it conceded that it would be perfectly justifiable to give a moderate weight to the factor of contribution. It was on this basis that it decided that 20 per cent of the States' share of the divisible pool should be distributed among the States on the basis of the relative collections of States and 80 per cent on the basis of their relative population according to the census of 1951.

Accordingly, the percentage to U.P. was fixed at 15.75. It will be interesting to recall that under the Otto Niemeyer award, U.P. got only 15 per cent while Bombay with 7.1 per cent of the population got 20 per cent and Bengal with a population of 19.9 per cent also got only 20 per cent. This formula was partly based on population and partly on residence and this was modified to some extent by the Deshmukh award which took population as the basis of reallocation which resulted in U.P. getting 18 per cent. It was then that the last Finance Commission came into the picture and struck a 'via media'. In this background, it seems very unreasonable that the U.P. Government should again harp on population as the sole guiding principle for distribution of the divisible pool. Any relief to the States for tiding over a particular difficulty should take the form of Central assistance or grants. To accept population as the sole basis for the distribution of income-tax would mean putting a premium on unbalanced distribution of the proceeds to the detriment of the smaller States.

LATEST COLOMBO PLAN REPORT

THE REPORT of the Colombo Plan Consultative Committee for 1955-56 speaks of several advances in the planning and execution of economic development programmes. Although this progress was not uniform, national income continued to rise at a rate slightly in excess of the population growth. Most of the Colombo Plan countries in 1955-56 contributed to and benefited from the continued expansion in world industrial production and trade. Agricultural production on balance showed a little improvement over the previous year. There was an increase in mining output, particularly in petroleum production in the area. Significant progress was made in industrial production as a result of

greater utilization of existing equipment and expanded facilities resulting from new investment.

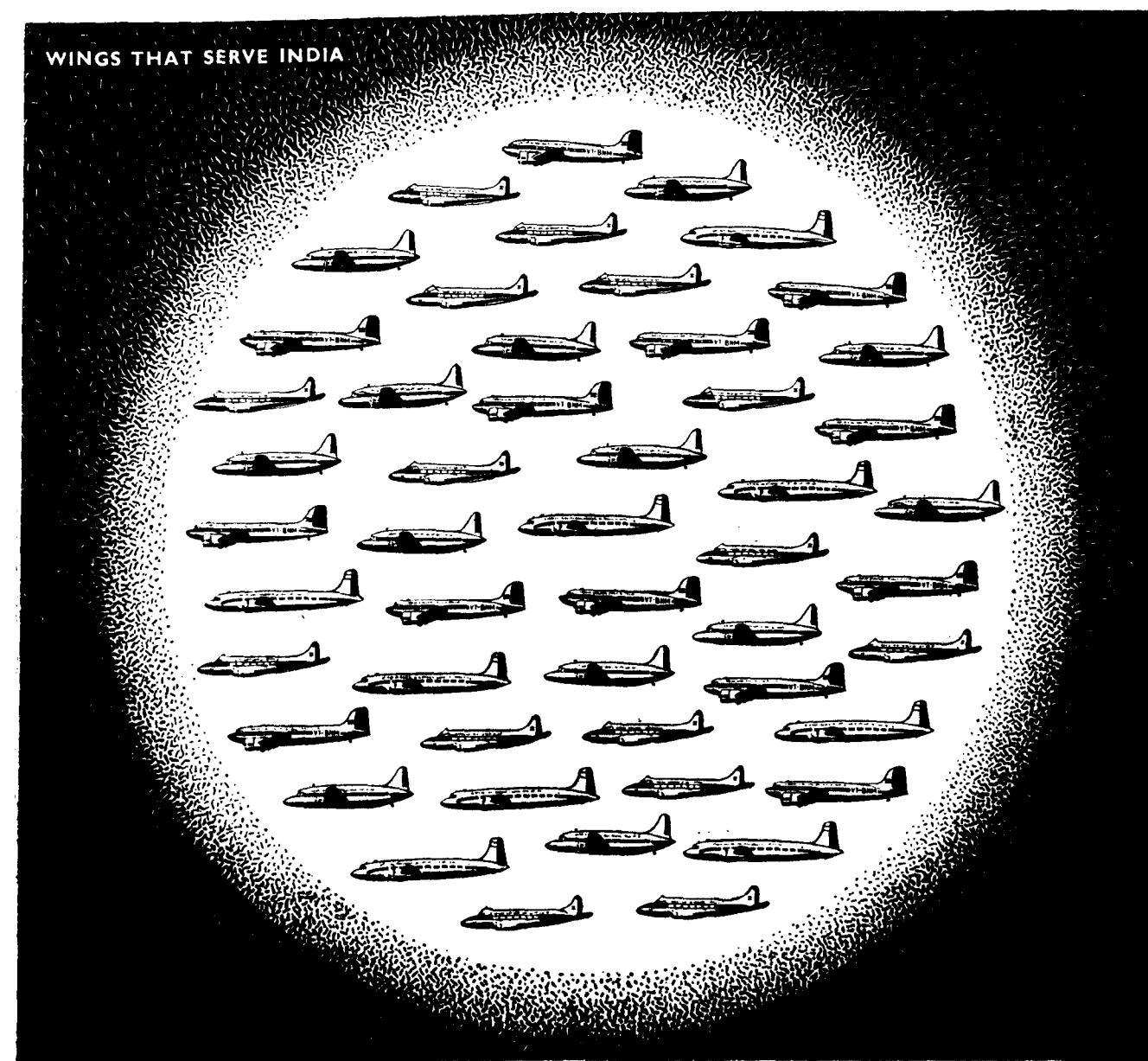
The past year was a turning point in the progress of Asian members of the Colombo Plan. For 1955-56 the aim was to expend an estimated £791 million on development in the public sector in countries of the area and for 1956-57 the intention is to raise the level of expenditure by a fourth. Though a greater part of this cost of development in the public sector came from the peoples of the area, assistance from contributing member governments of the Plan, from international institutions and from other agencies was greater than in previous years. A noteworthy point is the recognition for private external investment which is considered to be a means of obtaining capital inflow, particularly because of the technical knowledge it brings with it. The United States reported progress on a proposal for a regional nuclear centre to be located in Manila. It was indicated that the USA was prepared to contribute approximately \$20 million to the establishment of the centre subject to mutually satisfactory arrangements being worked out with other participating countries. Progress was reported by Canada too in regard to Canada-India reactor which is being established at the Indian Atomic Energy Research Centre near Bombay.

SKELETON IN THE RUSSIAN CUPBOARD

THE UNCEREMONIOUS rejection by the Soviet Government and its puppet Hungarian regime of the UN Assembly's demand to allow its Secretary-General and some Observers to visit Hungary has once again exposed the hollowness of their professions of anti-colonialism, co-existence and world peace. The rejection is not only a gross violation of the provisions of the UN Charter, but also evidence of callous contempt for world public opinion. These Governments, by their present action, have, in fact, put themselves outside the pale of accepted international etiquette.

The action assumes sinister appearance when we remember that the Observers were expected to report on the grave charges of mass killing and deportation of thousands of Hungarians to Siberia. Mr. Nehru has just confirmed that "25,000 Hungarians have been killed since the troubles began" and that "the present atmosphere there is reminiscent of the civil disobedience days in India." The Soviet and the Hungarian Governments, no doubt, have vehemently denied these charges. But if their position were really unassailable, it is difficult to see why they fought shy of admitting UN Observers. It would, in fact, have been in their own interest to admit Observers who could present the truth to anxious peoples of the world and allay their fears. The fact that the Soviet bloc has annoyed, if not estranged, even the uncommitted countries like India on this issue, clearly shows that there is surely a skeleton in the cupboard which Russia and its puppet regime are not prepared to expose to the impartial scrutiny of the world organization. These doubts have been further confirmed by the way the Soviet troops arrested Mr. Imre Nagy in utter disregard of the promises of safe conduct and freedom given by the Kadar Government to Yugoslavia. This too was contrary to international law. "All this does create a very unfortunate impression," Mr. Nehru said in the Parliament recently.

The Hungarian revolt, besides shattering the Soviet dream for a permanent empire has demonstrated two things: First, that democracies, even of imperialist countries like Britain and France, are responsive to world public opinion, while the Communist bloc is shockingly impervious to it; and secondly, and this is more important, that urge for freedom cannot be erased from human breast; even a totalitarian State is powerless against it. There always comes a stage when guns and violence can no longer intimidate. That stage seems to have been reached in the Russian empire.



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A Window on the World

WHAT IS SARVODAYA?

By
ODYSSEUS

THE ATTEMPT in which we are engaged to explain to the foreign reader whether or not India is a Socialist state, and the different significance of the word "Socialism" to a Westerner and to an Indian, would be incomplete if we did not tackle Gandhian Socialism — Sarvodaya, and its development, Bhoodan — because although the upholders of these programmes hardly count in the Parliamentary Opposition, their views influence government policies.

Sarvodaya is not a systematic theory of ethics, politics, or economics, but a grand and glorious mixture of unrelated propositions about all three, with Vedantic allusions, sparked with bits and pieces from different and rival philosophical systems, both Indian and Western. Fortunately, the Indian press digest service of the Institute of International Studies of Berkeley University, California, has assembled a wide collection of relevant texts in its little volume "Indian Approaches to a Socialist Society" which greatly eases the task of illustration.

Sarvodaya, literally the "uplift of all", variously translated as the "welfare of all", "service to all", and "co-operative commonwealth", was the word used by Gandhiji to describe his ideal social order, in which he envisaged a casteless, classless society, with equal opportunity for all, to be achieved without violence. When the first turmoil of independence had subsided and the Congress party settled down to govern, it was too engrossed with Five-Year and other Plans, basically conceived on Western economic principles, to take much notice of Sarvodaya, and it is probable that following Mahatma Gandhi's death Sarvodaya would have passed into the limbo of literary Utopias, alongside the republics of Plato and Thomas More, had it not been for the forceful personality of Gandhiji's disciple, Acharya Vinoba Bhave. The nation-wide attention which his activities began to attract from 1951 onwards threatened to steal the Socialistic part of the Congress party's thunder, so the party hastened to make friendly noises in his direction.

Sarvodaya leaders would not be troubled by the suggestion that they have no systematic theory, for they would reply that they are primarily engaged in developing ad hoc plans for action. When they find a practical idea, they adopt a theoretical justification for it of a traditional type which they think will appeal to the illiterate masses. I use the term "illiterate" literally to identify people who cannot read, but it is a mistake to assume that such people have no cultural background. On the contrary, you are more likely to find a detailed familiarity with the great Indian epics among the masses than among the "educated".

Sarvodaya's ideals are a self-sufficient village life, non-violence, and the exploitation of natural resources in such a way as to preserve human individuality. The panchayat (village council of five) is taken as the basis of political organisation. Villages, autonomous in their internal affairs, should be the units for both political and economic planning. An interesting exposition of principles is to be found in the plan adopted by the Sarvodaya Economic Conference held at Wardha in 1949, an account of which was published in the "Tribune" of January 31, 1950.

THE 1949 SARVODAYA PLAN

This plan rejects proprietorship "in which the owner could use or misuse land as he likes" (and if this sounds Utopian, we may recall that legislation exists, and has been used, in Britain whereby a farmer who is held to be neglecting his land can be ousted). The plan envisages that (1) land rights should be "shared between the community and the tiller" and (2) co-operatives and collective farms should be training centres for a rural economic service. The unemployed should be put into collective farms and agro-industries. India's great modern industries should be nationalised and regarded as auxiliaries to the local "decentralised" co-operatively-owned industries. A self-sufficient decentralised economic life would require a minimum of international exchange and the use of money, therefore, also reduced to the minimum.

This idea reflects the prejudice of traditional rural societies against money which they regard as some sort of wicked modern, or capitalistic, complication of life. The absence of money, of course, does enforce a society of simple structure and simple productive abilities, but it helps to keep a nation poor. What enables wealth to be multiplied rapidly is (1) the division of labour among specialists and (2) means of accumulating savings and dividing them up among many different productive outlets and resources — neither of which it is possible to develop to any great extent without money and credit. (In Chestertonian paradox I add that, of course, from the economic viewpoint, goods are always exchanged against goods: it is only in times of inflation that they are exchanged against money!).

The 1949 Sarvodaya plan laid down that education should be "for service" and "not for a career". The aim of education should be a "new humanism based on absolute devotion to non-acquisitiveness, non-violence, and truth." Faced with such unimpeachable propositions, the ordinary mortal feels daunted. If I must confess to my share of human weaknesses, including acquisitive feelings towards a good education for my children, nice clothes for my wife, and an endless supply of new books for myself — all of which keeps me working like mad to produce more words to sell — I'm hanged if I do not also lay claim to my quota of aspirations and ideals. But if invited to consider educating a nation into "absolute devotion to non-acquisitiveness and non-violence", the vision of the end-product that rises in my mind is a nation of monks and holy men. For only such people, specially trained to lead dedicated lives, could suppress the natural human instincts for acquisitiveness and violence. But valuable in a spiritual sense as such lives are, they are valueless for the production of wealth, for raising the standard of living which is among Sarvodaya's aims, and valueless for the defence of the republic in an unregenerate world, peopled with North Koreans who disagree violently with South Koreans, with Chinese who favour the violent liberation of Tibet, with Soviets who regard it as vital violently to ensure that their neighbour, Hungary, has a communist government submissive to Moscow's needs, with Nasser who aspires to the violent suppression of Israel, with Ben Gurion who is so misguided as violently to object, and with Eden who reacts violently to both. A community successfully educated according to the Sarvodaya plan

would have economically to be supported by its ordinary acquisitive-minded peasants (as the monasteries of Tibet were) and defended by ordinary mortals trained in violent techniques and equipped with weapons of sufficiently violent strength (as, one gathers, the holy men of Tibet were not when confronted by their violent foreign liberators).

SARVODAYA CANNOT BE IGNORED

But if Sarvodaya's educational aims arouse the scepticism of a Western-educated type like me, that does not mean that they can be ignored as without influence in India's social, economic and political make-up. The widespread view that the consumption of alcoholic drinks should be prohibited by law springs from the moral imperatives that are so deeply embedded in the Indian outlook. Another example of the sympathy that exists for the Sarvodaya attitude of mind is the widespread distrust of successful business and industrial leaders. (There seems no feeling against a business man if he is mediocre, and if he goes bankrupt it is perhaps a mark in his favour, as showing how uninterested in profits he is.) But I warn the foreign readers whom I am addressing that it is no use getting mad at this attitude and calling it names. It exists. It is part of the Indian picture and an important factor in explaining the almost universal acceptance of the Socialist (or Socialistic) viewpoint.

The Sarvodaya unit of administration is to be the village panchayat endowed with substantial powers of government.

Let us, therefore, try to get panchayats in perspective. During the struggle for independence, a mighty mythology was built up around panchayats, which were held up, first, as the indigenous remedy for the weaknesses of the foreign system of justice as it functioned in the villages. Anyone with first-hand acquaintance of the working of the British laws of evidence in local courts, and of the relations between the police and the witnesses for the prosecution, and between the defence and witnesses for the defence, must feel disillusioned. (Those without such first-hand knowledge should read Philip Woodruff's excellent murder story, "Call the Next Witness"). The substitution of the panchayat as a council of neighbours, all familiar with the people and the facts at issue, and able to deal out a rough justice, has obviously much to be said for it. This also applies to the second claim that panchayats would constitute a system of local government better adapted to rural needs than District Commissioners with their whole hierarchy of officials, great and small, all battenning on the villagers. During the struggle for independence, the panchayats were glorified as the ideal Indian justice and as evidence that democracy in India was centuries older than democracy in the West.

Now, if we shower indiscriminate praise on the panchayats, we may end by discrediting a fundamentally sound idea and producing a revulsion in favour of a return to a benevolent, bureaucratic despotism, which would, I suggest, be a retrograde step. So let us be frank: the weakness of panchayats is that they are apt to fall into the hands of village cliques and, therefore, to be paralysed in administrative matters by village factions, and to be as unfair in matters of justice as the most misled magistrate's court. They need to be nursed along by sympathetic District Officers rather than fulsomely praised by vote-thirsty politicians and starry-eyed uplift workers.

Finally, the 1949 Sarvodaya plan urges the gradual disbandment of all armed forces to achieve a non-violent defence system (designed, no doubt, to resist peaceful aggression).

Sarvodaya attracted little attention until Vinobaji discovered a striking technique with the aid of which he hoped to hasten its achievement. This was Bhoomi-dan ("land-gift" movement), popularly known as Bhoo-dan. How and why this forced the Congress High Command to take Sarvodaya seriously we will consider next week.

[Previous articles in this series were: "Why Socialism Came to India", "Is India A Socialist State?", and "The Clue to the Socialistic Muddle". Next week: "Sarvodaya: Utopia Attainable".—ED.]

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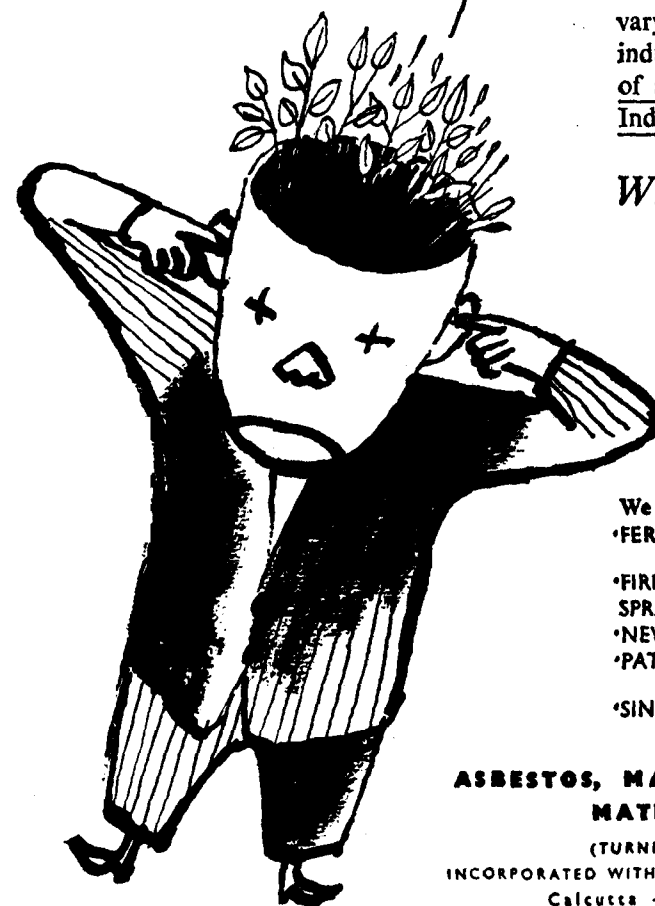
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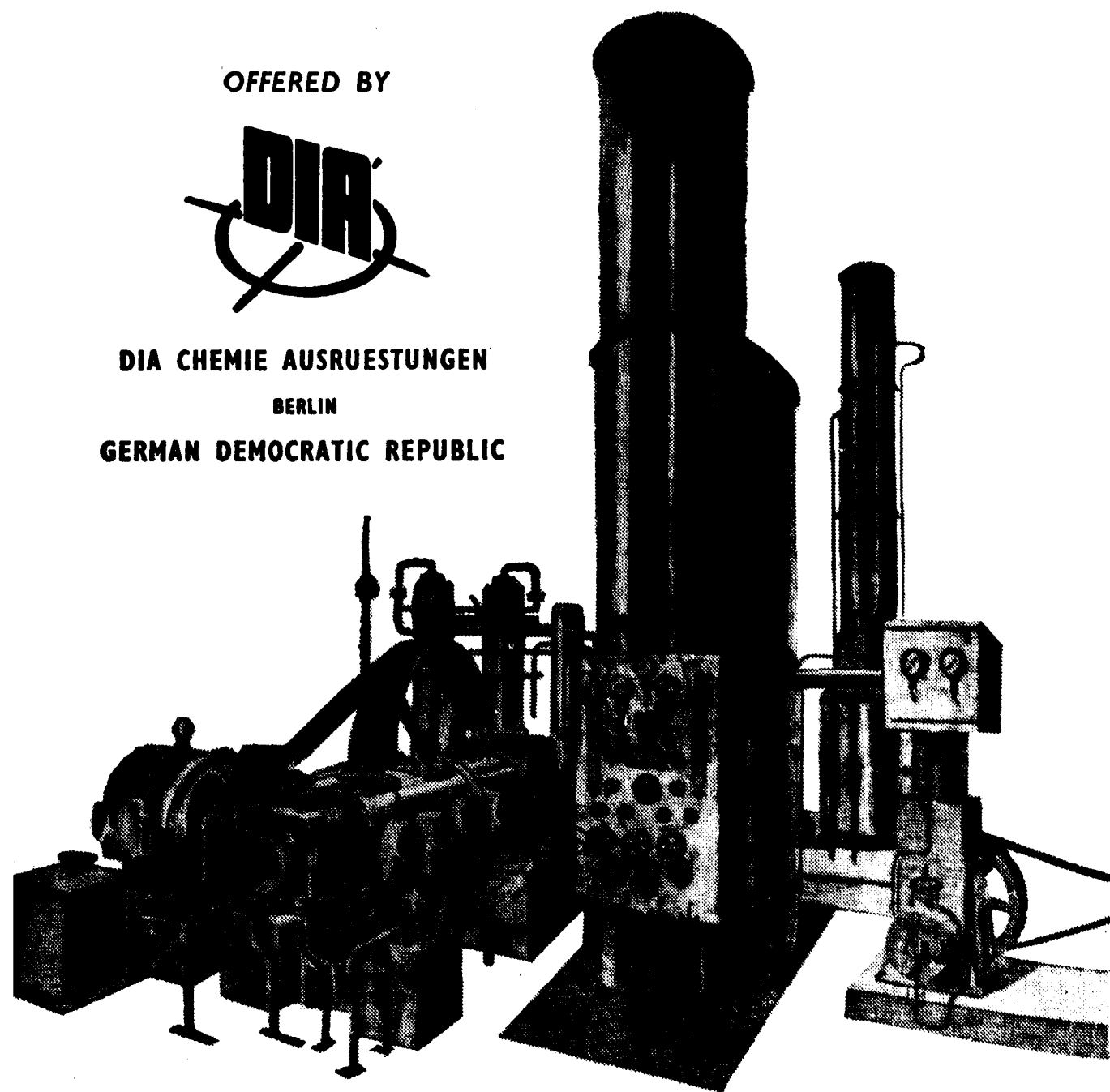
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PERSPECTIVES IN PETROL

(From Our Special West European Correspondent)

PARIS, December 8.

AFTER what has happened in the past two months, it is interesting to look back to the OEEC's Petrol Committee report which was published in September of this year. The report concludes with this touching passage, which seems ironical now: "To satisfy future requirements of energy, Europe will be more and more dependent on imports from the Middle East. In the forecasts made in our report we have assumed that there will be abundant and regular supplies of petrol from that quarter. The rapidly expanding European market will supply to the countries of the Middle East, both those who produce and those who transit petrol, the resources necessary for their economic development and for a permanent increase in their standard of living. In the future, the prosperity of the consuming countries of Europe and the prosperity of the producing and transiting countries of the Middle East will therefore be indissolubly bound together, and the rapid and healthy expansion of their economies will depend on a regular and unhindered exchange of resources".

Within a few weeks of this demonstration of Arab-European interdependence, "the exchange of resources" was very much hindered: the Suez Canal was blocked and damaged, pipelines cut, pumping stations wrecked, trade was at a standstill, diplomatic relations broken off, and in one country, Egypt, European investments were being confiscated, technicians expelled, etc., etc. And Europe was buying petrol from Venezuela and the USA.

So much for economists' geometrical proofs of international solidarity. And yet, for all the violence and disruption, have the basic facts alluded to by the Petrol Committee really changed? If we think only of the European consuming countries and the petrol-producing countries, we can see that the situation remains as it was described in September: there is close and growing interdependence. But the error of the Petrol Committee was to lump the transiting countries in with the producers, as though they too accepted the facts of interdependence. In reality, the transiting countries, which means principally Egypt and Syria, saw the mutual dependence of Europe and the oil-producers as an opportunity not for co-operation but for strangulation. By nationalising and then blocking the Suez Canal, and by cutting pipelines, the transiting countries sought to exploit their dominating position astride the oil channel between Europe and the oilfields. The European reaction to this was, of course, the invasion of Egypt. The reaction of the oil-producers has been disguised by the facade of Arab "brotherhood", but the passivity of the producers when Egypt was invaded and later the tension between Syria and Iraq make clear that this reaction was scarcely less violent. The situation today is not, as the simplifiers and anti-imperialists imagine, that Europe is at war with the Middle East en bloc or with Arab nationalism; it is rather that the oil consumers and producers, on the one hand, are at war with the transiting countries, on the other. The consumers, in the persons of France and Britain, have made open war; the producers are carrying on a struggle no less fierce for being disguised and conspiratorial.

In this struggle between the interdependent producers and consumers on the one side and the transiting countries on the other side, Russian intervention has naturally been solidly in favour of the transiting nations because the strangulation of Europe would be welcome

to Russia. That Moscow has been able to find "Marxist-Leninist" arguments to prove all of a sudden that the transiting regimes are "objectively progressive" while the producing countries are "feudal-reactionary" need not surprise us, for Marxist-Leninism can evidently prove anything. American policy, as far as it has existed, has been more confused. Behind the pious moralisings of the State Department about aggression and the U.N. Charter, has lain the conflicting interests of those American oil producers who exploit mainly domestic deposits (at high costs) and those who exploit Middle Eastern deposits (at low costs). The domestic producers, who have all along opposed excessive American dependence on (cheap) Arab oil as a strategic danger, were not dismayed to see the transit lines severed, for this endorsed their traditional case and moreover opened up to them the profitable business of supplying Europe's needs at higher prices. The companies with Middle Eastern interests naturally want the transit lines kept open in general, but do not mind a temporary closure even at some cost to themselves, firstly because this would be a chance to demonstrate to the Arab producers that their output is not entirely essential and can be replaced by the USA, and secondly because it would help them in their constant struggle against producers' demands for higher royalties.

Without suggesting that the oil companies decide or determine US policy (and certainly without implying that they have any influence over the personal decisions of President Eisenhower), this agreement among the American companies that closure of the transit lines for a time might have a salutary effect goes some way to explaining the curious hesitations of US foreign policy over the past few months—especially when the closure of transit lines can be effected, providentially, by cutting only the pipelines that serve Anglo-French companies and leaves intact the Tapline from Arabia which carries American petrol. It explains at least why Mr. Dulles did not take Colonel Nasser's activities as tragically as the British and French did. Ultimately, however, such considerations are only tactical and US policy must seek the eventual full resumption of oil traffic across the Near East, so Washington's policy soon shifted from tolerance of the transiting regimes' activities to support for their opponents, the producer countries—hence the announced backing of the Baghdad Pact against Syrian adventurism.

Let us suppose that all the parties concerned have by now made their point and taught everybody else a lesson. The domestic US producers have shown that it is dangerous to rely on Middle Eastern oil, and that they can supply Europe. The US companies in the Middle East have shown the producers that they should not ask for too high royalties because their output is not totally indispensable. Europe has shown the producing countries of the Middle East that she can get help from elsewhere and that, therefore, the producers should not stand too much nonsense from the transiting regimes. The transiting regimes have shown both Europe and the Arab producers that they can exploit their interdependence by closing the Canal and the pipelines. And Russia has shown everybody that she can intervene with some effect across Europe's lifeline. What next?

In the short term, the consumers in Europe and the producers in the Middle East are the biggest losers; one loses petrol (and especially cheap petrol paid for

in soft currencies), and the other loses revenues. Britain and France are forced into a position of greater dependence on the USA than at any time since the end of the war, and lose the right and the power to make any further break-outs such as the ill-fated Egyptian expedition. The producers in the Middle East, especially the regime in Iraq, are forced into dependence on the West for their continued solvency and very existence in the face of threats from the Nasser group.

In the longer term, however, this dual dependence must be transitory because, as the Petrol Committee's report shows, Europe and the Arab producers depend mainly on each other. The only hope for economic progress in the Arab producing countries is increased sales of their oil, and this must go mainly to Europe; and of course Europe's natural source of liquid fuel is in the Middle East. So the problem for both is to secure the link that binds them from intervention, which involves reducing their reliance on the present transit regimes. The fundamental problem in the Middle East is for West Europe, Iraq, Kuwait, Qatar and Arabia to come to rely on no one but themselves.

An obvious way of doing this would be to wipe out one of the transit countries altogether, namely Syria, by incorporating it in a producing country, namely Iraq. There can be no doubt that British and French strategists have toyed with this idea very recently, and if the failure of the Egyptian expedition had not reduced them to such evident impotence they would probably have gone ahead with it. But Russia has vetoed this solution by openly supporting Syria, for it is in her interest to keep the Middle East divided into producers and transit countries; whereupon the USA was obliged to veto it also, as when she warned Turkey and Iraq (and possibly Britain and France too) not to attack Syria. So this plan is on ice—but only on ice, not abandoned. The obliteration of one transit country by absorbing it into a producing country (the Fertile Crescent scheme) will remain a long-range hope of British policy, and even the French are now less opposed to it than they were.

Meantime policy must seek more modest objectives. The first is plainly an open Suez Canal, a totally free Canal and soon a bigger Canal. But Nasser has shown that it is idle to expect that Suez could ever be made quite free of Egyptian control, so European policy must aim at additional and alternative links with the oil-producers. A spare canal, across Israel, is at present only a costly possibility but extra pipelines, across Israel and Turkey, are very probable. More and bigger tankers are already on the way and will constitute a constant part of European-producer strategy to avoid reliance on the transit countries. Pipelines across West Europe, for example running north from the French Mediterranean coast, will come in as a way of relieving the strain on this enlarged tanker fleet.

In fine, to interpret events in the Middle East in terms of racialism or imperialism or conflict between the allied blocs is to miss the main point that the struggle is about how the European consumers and the Arab producers can get around their reliance on the transit countries, with all the opportunities for intervention by outsiders that this reliance entails. The problem for both consumers and producers is becoming more urgent, because European oil needs will rise from 100 million tons in 1955 to 153 million tons in 1960 and then to 310 million tons in 1975; one can guess what prospects of economic advance this opens up for the Arab producing countries, who will be less and less ready to tolerate interference from "brother" Arab regimes in the transit countries. Any patched up solution of Middle Eastern problems that leaves unsolved this

common dilemma of European consumers and Arab producers will not last long. The transit regimes in Egypt and Syria are backing a losing horse because, as producer-consumer interdependence becomes closer, both sides will be less willing and indeed less able to suffer the middleman's attempts to exploit his apparently dominating position. And in this long-term contest there is no doubt that American influence, after its temporary support for the middleman Nasser, will be solidly and decisively in favour of the direct partnership of producers and consumers.

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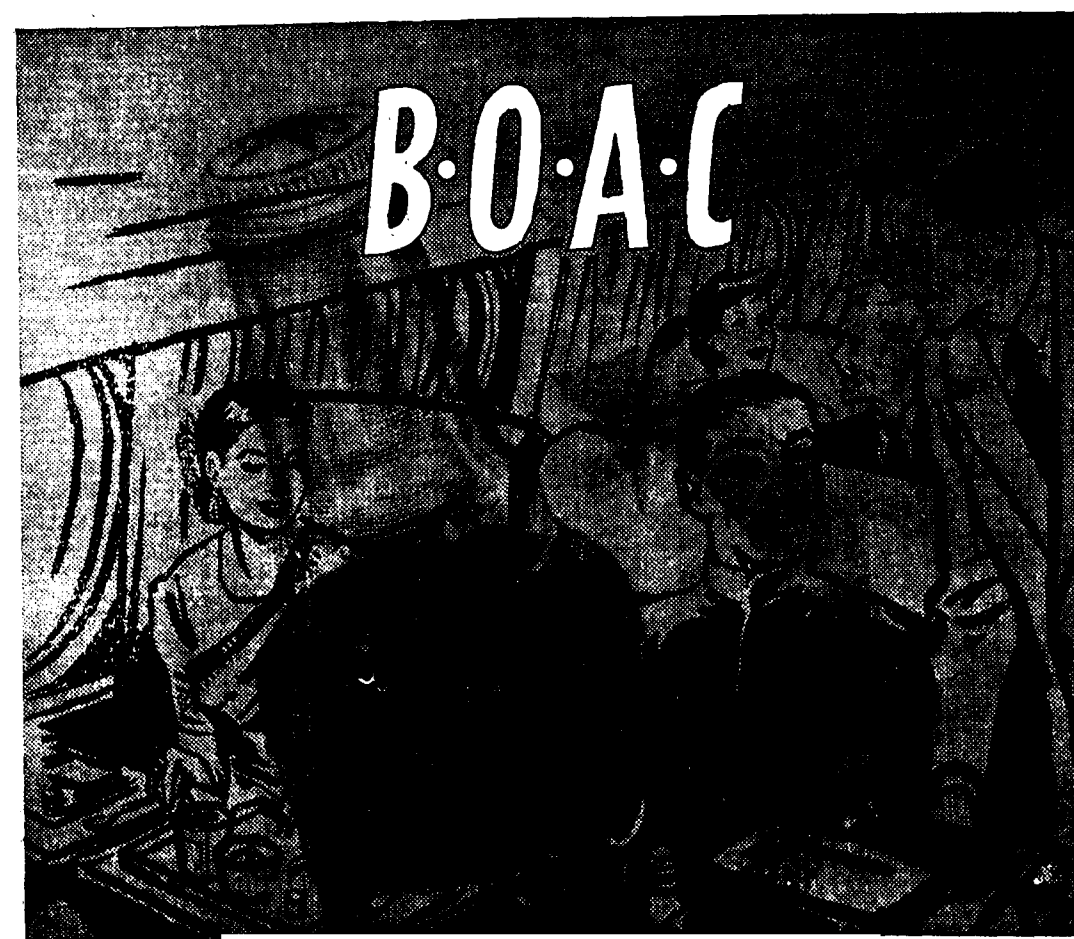
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It is reported that the Government of India is planning to start some laboratories in India to control the quality of farm products. These laboratories are intended for testing of farm products. These laboratories are intended for testing those agricultural commodities for which specifications had been prescribed under the Agricultural Produce (Grading and Marking) Act 1937 with a view to grading them, under Agmark for internal consumption or for export. One Central Control Laboratory and eight Regional Laboratories are to be set up during the second Five-Year Plan. No fee would be charged for testing the agricultural commodities for grading purposes.

Schemes for Development of Sericulture:

The Government of India have approved schemes for the development of the silk industry in four States, West Bengal, Bihar, Assam and Orissa. The schemes provide among others, for the establishment of nursery and basic seed supply stations, training in improved methods of rearing and reeling and inter-state study tours. The Union Ministry of Production has sanctioned loans and grants totalling over Rs. 5.63 lakhs to the four States, for the implementation of the schemes.

Developing High Milk Yielding Strains of Cattle:

An All-India Milk Yield Competition will be organised shortly to create a spirit of healthy competition among cattle-owners in the country and to provide suitable incentive for the development of high milk yielding strains of cattle. The competition will be confined to certain specified breeds amongst the indigenous stock of cattle and buffaloes in the country. The competition, which will be held primarily at the district level, will be subjected to rechecking by the State Milk Yield Competition Committees who will forward to the Central Council of the Gosamvardhna — the body which will organise the competition — the names of the owners of the first three animals in each breed for which the competition is valid. The breeds to which this competition will be confined are Gir, Hariana and Kankraj amongst the cows, and Murrah amongst the buffaloes.

Tube Wells in Madhya Pradesh:

The Union Minister for Food and Agriculture, Shri Ajit Prasad Jain, stated in the Lok Sabha recently that a provision of Rs. 70 lakhs had been made in the second Five-Year Plan of the State Government of Madhya Pradesh for the construction of one hundred irrigation tubewells. He said that the sites had not yet been selected, but the areas would be in the districts of Hoshangabad, Jabbalpur and Bhopal in the Narmada valley where explorations had produced successful results. The operations of the Exploratory Tube-wells Programme in the State had been concluded and out of the 30 bores drilled in the Namada Basin of the State 16 yielded economic supplies of water for irrigation i.e. 20,000 gallons per hour or more. Production wells had been constructed at these 16 states.

INDUSTRY

U.K. Steel Works Development Scheme:

Work will start early next year on a £10,000,000 iron and steelworks development scheme in England's fast-growing steel centre at Scunthorpe, Lincolnshire. The scheme is expected to take three years to complete. It is part of the British steel industry's huge post-war development plan, on which £470,000,000 has been spent

in the last 10 years and which has led to a 41 per cent increase in production since 1948.

Draft Standards for Knives:

The Indian Standards Institution has issued, for eliciting comments, draft Indian standard specifications for butcher's knives, cook's knives, carving knives, bread knives and pen knives. These drafts have been prepared to assist in regulating the quality of indigenous products and specify materials to be used in the manufacture of these knives. The details regarding shapes of the knives, dimensions, marking and packing have also been stipulated. Comments on these drafts which have been prepared by ISI's Cutlery Sectional Committee, may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before February 10, 1957.

Dimensional Standards for Metal Products:

The Indian Standards Institution has circulated, for eliciting comments, draft Indian standards relating to preferred dimensions for metal products, thickness of sheet and diameters of wire, diameters and thicknesses of metal bars, flats and plate, sizes of strip, sheet, flats and plate and nominal bores for tube and pipe. The first of these standards specifies preferred dimensions in the metric system for metal products generally. The other four standards specify standard nominal dimensions in millimetres for thicknesses, diameters, bore, width and length etc. for specific products.

TRADE

Big Rise in U.K. Imports:

Last year Britain was again the biggest market for nearly every Commonwealth country. United Kingdom imports from other Commonwealth countries increased by over £150,000,000, says the report 'Commonwealth Trade, 1955-56'. Though total imports rose even more steeply, the Commonwealth share was still not far short of one-half. Commonwealth exports to Western Europe, says the report, reached a record figure last year when they accounted for rather more than one-third of the total. Exports to this market from the colonial territories and from Britain showed a big increase, and there was also some improvement for most Commonwealth countries.

Cyprus Trade with Middle East:

The increasing importance of Cyprus in the economy of the Middle East is shown by the latest trade figures just published. Imports from six Middle Eastern countries totalled £1,061,000 in the first nine months of this year — an increase of nearly 200 per cent over the same period in 1955. The biggest increase was of imports from Aden, which during the first nine months of the year totalled £406,000, compared with £300,000 in the same period last year. Imports from Saudi Arabia totalled £109,000 — £17,000 more than in the same period that year. The Lebanon's exports to Cyprus during the period reached a total value of £207,000, compared with £181,000 in the first nine months of last year. The main items were: leather, £41,000 worth; bananas, £25,000; oilseeds cake, £16,000; cotton seed oil, £13,000; cement; and cereal by-products. Cyprus exports to the Lebanon were valued at £92,000, against £80,000 last year. Cheese (£55,000) and seed potatoes (£11,000) were the main items. Imports from Iran reached £99,000, compared with £24,000 last year. The Sudan's exports to Cyprus rose by £39,000 to £122,000 in the period, and included groundnut oil, £42,000; cotton-seed oil, £19,000; haricot beans, £14,000; and oilseeds.

cake £11,000. The island's exports to the Sudan reached £101,000 and included wine (£59,000), potatoes, and oranges. Iraq's exports to Cyprus during the nine months totalled £118,000.

Foreign Trade of India by Land During October, 1956: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during the months of October 1956, are as follows: **Merchandise:** Exports: Rs. 47 lakhs; Exports to Eastern Pakistan: Rs. 27 lakhs; Exports to Western Pakistan: Rs. 13 lakhs; Exports to other countries: Rs. 7 lakhs. **Merchandise:** Re-exports: Negligible; **Merchandise:** Imports: Rs. 2,24 lakhs; Imports from East Pakistan: Rs. 1,47 lakhs; Imports from Western Pakistan: Rs. 8 lakhs; Imports from other countries: Rs. 69 lakhs; Total Trade: Rs. 2,71, lakhs; **Trade in Treasure:** Negligible; **Balance of Trade:** The total value of exports including re-exports fell short of imports by Rs. 1,77 lakhs.

Contracts Concluded by State Trading Corporation: In a written reply to a question in the Lok Sabha today, the Minister for Commerce, Consumer Industries and Heavy Industries, Shri Morarji Desai, said that the State Trading Corporation had entered into firm contracts worth Rs. 17,36,71,207 since it came into being. The total value of contracts already fulfilled was slightly over Rs. 1.03 crores. The Corporation had entered into contracts for the import of cement, light soda ash, caustic soda, ammonium sulphate, Chilean nitrate and gypsum. The total value of the import contracts was Rs. 8,74,95,765. The Corporation, the Minister said, had entered into contracts for the exports of iron ore, manganese ore, coffee, shoes and handicrafts. The total value of these contracts was Rs. 8,61,75,442.

FINANCE

Steel Equalisation Fund: About Rs. 68.8 crores had accrued to the Iron and Steel Equalisation Fund up to the end of October 1956. Out of this, Rs. 37.44 crores had been used for equalising the prices of iron and steel and Rs. 15.16 crores had been given as repayable advances to the Tata Iron and Steel Co., Ltd., and the Indian Iron and Steel Company Limited. About the advances paid to TISCO and IISCO it is reported their expansion programme were proceeding according to schedule. TISCO had been given a special advance of Rs. 10 crores on which no interest would be charged up to July 1, 1958 or such late date as might be mutually agreed upon. The terms of repayment would be decided by Government on the advice of the Tariff Commission. A special advance of Rs. 10.18 crores has been sanctioned to IISCO on the same terms. IISCO had also been sanctioned a loan of Rs. 7.9 crores on which an interest of 4½ per cent would accrue. The amount would be repaid in instalments spread over the period from December 1958 to December 1967.

Grants-in-Aid for Welfare Activities: It is reported 766 voluntary organisations engaged in social welfare activities for women, children and the handicapped have been sanctioned grants-in-aid amounting to Rs. 31,14,650 by the Central Social Welfare Board at its meeting held in New Delhi between November 24 and November 27. In addition, 8 voluntary organisations — one in Bombay, two in Hyderabad, four in Madras and one in Mysore — which sent up schemes for starting hostels for working women of low income groups, were sanctioned grants-in-aid amounting to Rs. 88,000. The Board also recommended to the Ministry of Home Affairs 5 institutions engaged in welfare activities for Schedule

Castes for grants-in-aid amounting to Rs. 8,500. Of the 766 welfare institutions, for which grants have been sanctioned, 135 have received grants on a five-year basis, to enable them to formulate and execute programmes on a long-term basis. The total amount sanctioned to these institutions is Rs. 22,14,500. For the remaining 631 institutions the grants sanctioned are for a period of one year, the total amount coming up to Rs. 9,00,150.

GENERAL

National Construction Corporation for River Valley Projects: The Government of India have decided to set up under the Indian Companies Act a National Construction Corporation for the execution of river valley projects in India. The nominal capital of the Corporation, which would be subscribed by the Centre and the participating States, would be of the order of Rs. 2 crores. The Corporation would, in the beginning, take up only two or three projects in order to have time to develop the organisation and extend its activities. The Articles of Association and Memorandum of Association were expected to be finalised shortly. A special officer was being appointed to settle all the preliminaries like preparation of bye-laws, selection of officers and staff, arrangements for machinery, etc., so that the Corporation could function effectively immediately after it was set up. In consultation with the States concerned it had been decided that the Corporation should as its first job undertake the construction of the Chambal Project canals.

Fair Prices for Locomotives and Boilers of TELCO: The Government of India have accepted the Tariff Commission's recommendations that in the first period i.e. February 1, 1954 to March 31, 1955 for boilers and July 1, 1954 to March 31, 1955, for locomotives, the following prices should be paid to the Company as against the prices quoted by it:

	Prices recommended by Commission per unit	Price quoted by TELCO per unit
YP Locos	Rs. 6,90,105	Rs. 7,20,396
XC Boilers	" 3,40,902	" 3,68,098
YD Boilers	" 1,75,512	" 2,08,272

For deliveries in the second price period i.e., April 1, 1955 to March 31, 1956, for both locomotives and boilers, the Commission has recommended that for a YP locomotive the price should be Rs. 6,37,829 as against Rs. 6,63,028 quoted by TELCO. For a YD boiler, the price in the Commission's opinion should be Rs. 1,63,216 as against Rs. 2,08,272. Similarly reduced prices have been recommended by the Commission for other types of boilers. These recommendations have been accepted by Government. For deliveries in the third price period i.e., April 1, 1956 to March 31, 1958, TELCO has not yet quoted any price. The Commission has recommended prices to be paid for Locos as well as boilers during this period which are substantially lower than those recommended for the two earlier periods. The Commission has also recommended that the prices payable during this period may be adjusted from time to time to the extent that Government are satisfied that manufacturing costs have altered. Government have accepted the recommendations regarding the prices in the third period. They have also accepted the Commission's recommendation that a cost investigation should be made before prices are fixed for any price period beyond March 31, 1958. The Commission's recommendation that TELCO should so maintain its costs as to be able to provide a breakdown into about 40 groups of sub-assemblies and the costs of certain items selected should be separately recorded is being brought to the notice of the Company.

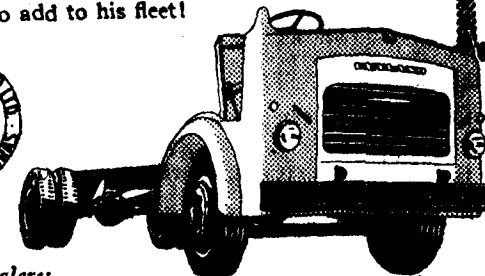
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 P 33, Ganesh Chandra Avenue, Calcutta 13

For Delhi, Madhya Bharat, Punjab, Pepsu, Rajasthan, Himachal Pradesh, Bhopal and Madhya Pradesh:
Globe Motors Private Limited
 Prithvi Mansions, Asaf Ali Road, New Delhi

For Andhra, Madras, Mysore and Travancore-Cochin:
George Oakes Private Limited
 36-D Mount Road, Madras 2

For Assam:
Messrs. James Warren & Co., Ltd.
 Dibrugarh, Assam

For Uttar Pradesh:
Messrs. Dharam Singh Ram Singh (Motors) Private Ltd.
 25 Bhopal House, Lal Bagh, Lucknow and
Messrs. Agarwala Brothers
 The Mall, Kanpur

For Vindhya Pradesh:
Messrs. Agarwala Brothers
 The Mall, Kanpur

NEWS IN BRIEF

INDIAN

Fisheries yearly contribute about Rs. 27 crores to the country's national income, engage about 75,000 craft of various types along a coastline of about 3,000 miles, and give employment to some 750,000 fishermen.

The Central Government granted Rs. 2,43,71,960 to various States for the expansion of Secondary education during 1955-56.

The Government of India have sanctioned Rs. 2,85,700 for the setting up of a co-operative match factory at Banaras.

The average yield per acre of cotton production in India rose from 78 lbs. in 1952-53 to 91 lbs. during 1953-54.

A provision of Rs. 5.54 crores — Rs. 5.05 crores by the States and Rs. 0.49 crores by the Centre — has been made for the settlement of landless labour during the second Plan period.

The total number of tourist arrivals in India during the months of January to July 1956 was approximately 27,000. Out of this number over 6,000 came from the United States, nearly 5,000 from Pakistan, over 3,000 from Britain and a little under 3,000 from Ceylon.

The Minister for Finance and Iron and Steel Shri T. T. Krishnamachari, stated in the Lok Sabha recently that in February this year it had been decided that a fertilizer plant should be set up at Rourkela using the gases from the Rourkela Steel Plant. Messrs. Bochako of West Germany, a firm of consultants, had been appointed to submit a Project Report and prepare tender specifications of the plant.

Earthwork on the embankments at Kosi Project of the value of about Rs. 50 lakhs, on canals and construction of some quarters at Chambal Project of about Rs. 20 lakhs is being done through public co-operation.

Concerning work on the 700-ft high Bhakra Dam across the Sutlej is making satisfactory progress, and in about three years' time this highest straight gravity dam in the world will be completed. Up to the end of October, 1956, 5,46,000 cubic yards (10,92,000 tons) of concrete had been placed in the gorge.

Orders have now been placed for practically the entire equipment for the Rourkela Steel Works. During the last summer orders were placed for the coke oven plant on Dr. Otto & Co., the blast furnace plant on G.H.H. and the gas cleaning plant on Lurgi, all German firms. The value, f.o.b. of equipment for these three departments comes to about 104 million Deutsche Marks (about Rs. 11.7 crores).

Printing machinery worth £250,000 is to be supplied to India by the noted Leeds printing press engineers and manufacturers, R. W. Crabtree & Sons Ltd.

FOREIGN

Germany is the only country of the European Coal and Steel Pool whose coal production in the first 44 weeks of 1956 was higher than last year. German output at 113,067,000 tons for the period was up nearly 3 million tons.

South Africa's total gold and foreign assets in the week ended November 23, totalled £123,700,000 compared with £121,246,000 a week earlier.

The Eisenhower Administration is tentatively planning to ask Congress for slightly more than \$4,000 million (£1,428 million) to continue foreign aid for next fiscal year.

A new British Company, Anglo Great Lakes Corporation has been formed to manufacture special quality graphite for the nuclear reactor furnaces of atomic power stations.

It is reported a Franco-Spanish trade agreement has been signed with exchanges each way understood to amount to approximately £24 million a year.

The Israel Parliament has passed a law for the flotation of a £40 million security loan. The loan will be in three series bearing 4½ per cent; debentures not subject to income tax; registered 6½ per cent debentures (subject to tax) designed for institutional investors; and a series carrying the possibility of prizes, which are to be drawn by lot.

The Western Australian Government Profiteering and Unfair Trading Prevention Bill has been passed by both houses of Parliament. The bill will operate only until the end of 1957.

An overall rise in U.S. exports next year of from 5 to 7 per cent beyond the £17,000 million level estimated for this year is predicted.

A Finance Bill designed to give special tax relief to certain industries, including coal mining, and to provide for the issue of premium bonds passed recently its second reading in the Irish parliament.

Norway's oil and petrol consumption has increased by 600 per cent in the last ten years. According to a survey published by the Norwegian insurance company "Storebrand". In the same period, consumption in the world as a whole has increased by only 300 per cent.

The latest estimate of Sudan cotton for 1956-57 season places the current year's crop at 620,400 bales of (400 lbs. each) as compared with 525,800 bales during the last season.

Sweden will continue its present 12 per cent tax on capital investments but maximum tax-free investment has been increased from Kr. 20,000 (£1,400) to Kr. 30,000 (£2,070).



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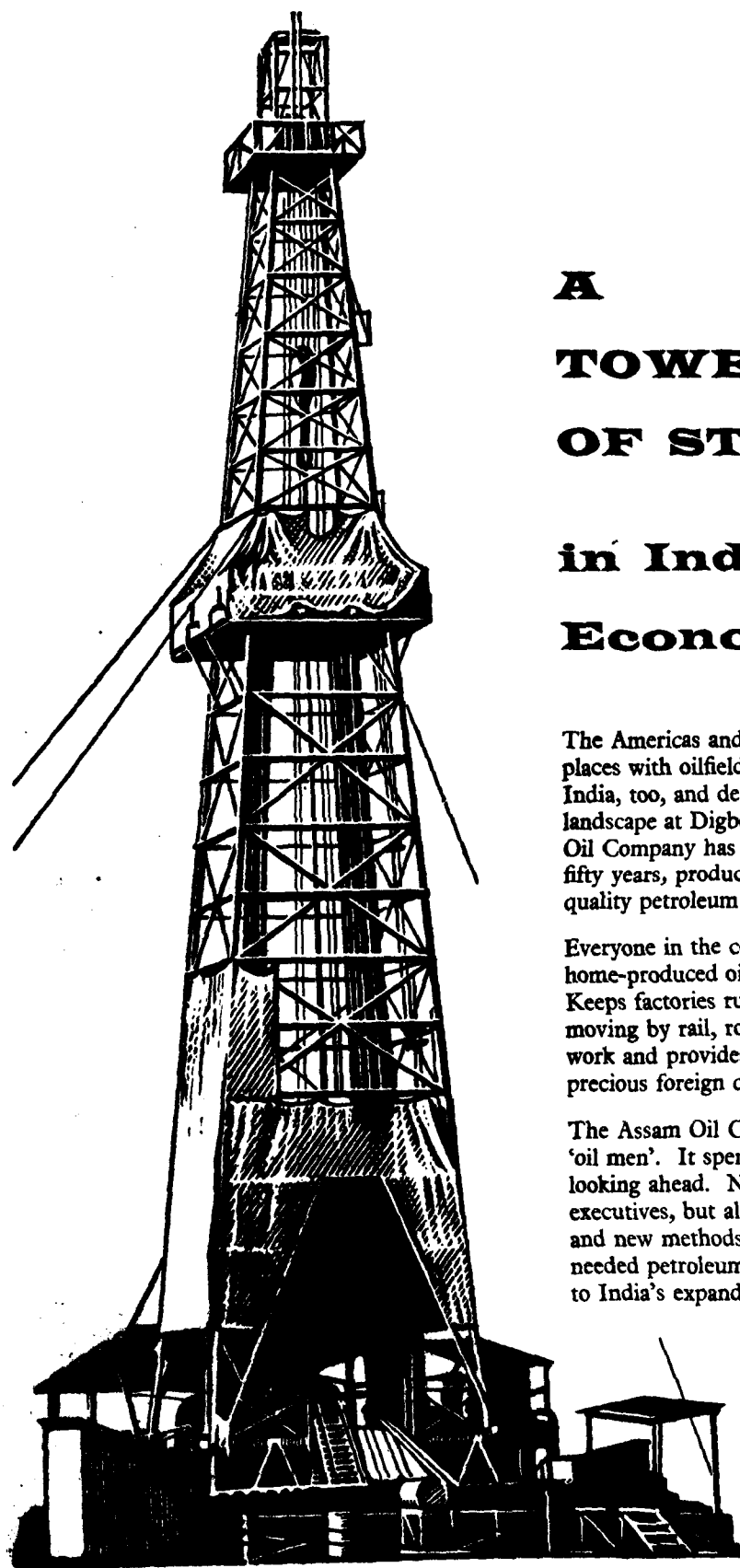
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A TOWER OF STRENGTH

in India's Economy

The Americas and the Middle East are not the only places with oilfields! Oil is produced here in India, too, and derricks are a familiar part of the landscape at Digboi in Upper Assam. The Assam Oil Company has been operating this oilfield for over fifty years, producing some 300,000 gallons of high quality petroleum products daily.

Everyone in the country benefits from this flow of home-produced oil. It speeds food production. Keeps factories running smoothly. Keeps goods moving by rail, road, sea and air. Takes people to work and provides work for them—as well as saving precious foreign currency.

The Assam Oil Company itself employs over 8,000 'oil men'. It spends much time and money in looking ahead. Not only in training technicians and executives, but also in finding new sources of oil and new methods of processing it into the much-needed petroleum products which are so vital to India's expanding economy.



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it
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Letters to the Editor

CHRISTIAN MISSIONARIES

Sir,

For quite a time, the Christian Missions have been facing criticism. The intensity of the criticisms against them varies according to the professions of religious devotion and loyalty on the part of the critics themselves. The Neogy Report gave a stimulus to the controversy which continues unabated in certain quarters. The charge imputing motives to the Christian missionaries is particularly in bad taste. That some of the priests are un-priestly and that there may be black sheep among them will carry credence. But, to generalise such denunciation is, to say the least, untair.

Proselytism may be open to objection on certain grounds. But, in a secular State, an adult has every right to choose what faith he likes. There is no reason why that should cause a flutter in some dovescots. Of course, conversion under lure or direct and indirect duress is a bad thing. Of this, there is no chance now that there is no State patronage of the Church and the Ecclesiastical Department of the British days has well nigh become a thing of the dead past. It is scarcely logical in the present context of things to cry over the spontaneous appeal of Christian teachings and the selfless example of the missionary work of the clergy.

Few would deny that Christian missionaries often serve with selfless, humanitarian zeal and from the tribes and areas wherein they work, they earn the goodwill and gratitude of the served. Even during the hectic days of 1947 when communal bloodshed was the order of the day, many a life was saved through the support and shelter given by the Christian missionaries who had to brave trying situations in doing a good turn to the refugeless, disrupted fellow-men.

Today, devotion to God and religion is rather ostentatious. Fanaticism mistakenly passes for religious devotion. Sober, sincere adherence is at a discount. So, if some of the Christian priests are over-reaching themselves, we have to dismiss that as a part of the general malaise and malady. Instead of carping at the clergy, the communities and faiths which find their ranks thinning out would serve their own cause and the country's better if they set their own houses in order and try to remove the discrimination and disabilities which are scaring away their adherents to other folds.

The present controversy is likely to engender ill-feeling and it will create complications if the unhappy strain continues with the same tempo. The Christmas Week is coming. It will be good for the Christian priests to drive home the right spirit to the members of the order. It is to the credit of the clergymen in Britain that they did not hesitate to denounce Britain's aggression against Egypt. The same faithful and fearless advocacy of the great teachings of Christ, Buddha and Gandhi and other saints may save humanity which now faces grave risks at the hands of narrow-minded leaders and nuclear scientists.

Yours faithfully,
PRATAP C. DUTTA.

NEW DELHI,
December 8, 1956.

COFFEE AND THE CONSUMER

Sir,

I hope it will not seem ungracious that I should differ from your otherwise well-informed article on coffee in your issue dated November 30, 1956 on one particular observation. The reason for taking the exception is that that observation is at the heart of much of the wrong public impression about coffee, which unfortunately the Plantation Inquiry Commission has not troubled to clear.

Since July 1948 the price of coffee sold by the Coffee Board in the internal market has been 'less' than the

world price which the same coffee would have fetched in export. On occasions the difference has been as large as Rs. 280 per cwt. Till May 1953, the holding of the internal price below the world price was basic to the Board's marketing policy. It was at times disturbed by the Government's wishes in respect of export earnings but otherwise, the home price was held fairly close to the reserve price fixed by the Board for internal release.

Since May 1953 the reserve price was fixed at Rs. 2-4 per point by the Government although the Board had estimated a minimum return to the grower on the basis of its periodic cost study at Rs. 2-7-3 per point. But actual release to the home market was at Rs. 2-1 per point! The average export price during 1953-54 was equivalent to above Rs. 5-8 per point. Although the margin between world price and internal price has varied over the course of the past 8 years, it can be stated without fear of contradiction that during this period the Indian consumer has had his coffee not only at the lowest price in the world but also, since May 1953, at a price below what was considered the minimum return to the grower. Against this background it can hardly be said that "it is indisputable that the average consumer has been meted out a raw deal."

Yours faithfully,
L. E. MITCHELL,
Secretary,

United Planters' Association of Southern India
COONNOOR, NILGIRIS
December 8, 1956,

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Foreign Trade...

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Foreign Agencies

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HOLLAND, GERMANY, NORWAY,
SWEDEN, SWITZERLAND, ITALY,
AND JAPAN.

WORLD BANK'S LOAN TO AUSTRALIA

WASHINGTON, December 5.

THE World Bank has made a loan of \$50 million to the Commonwealth of Australia to finance imports of equipment for the development of agriculture and forestry, road and rail transport, industry and mining. The loan will be used to pay for equipment needed from the dollar area by farmers, private businesses, and Commonwealth and State government agencies.

Australia has a continuing need to import capital to carry out development throughout all sectors of the economy. In line with its policy of increasing its population and at the same time improving the standard of living, Australia, since World War II, has undertaken an immigration programme and has increased its efforts to accelerate the growth of production.

Between the World Wars, Australians had developed manufacturing to a point where they were able to supply the bulk of their own consumer goods; since World War II, they have been developing the manufacture of capital goods. Although this industrial growth has made Australia more self-sufficient, agricultural production, particularly of wool, has continued to expand, and agricultural commodities remain Australia's chief exports.

The 1.1 million immigrants who have come to Australia in the past ten years nearly equal the number who immigrated in the whole 166 years since the continent began to be settled. While the recent influx has required more housing, transportation, public utilities and the like, the new immigrants are contributing importantly to the growth of gross national product which has increased at the rate of 5 per cent annually since the war. For example, steel production has doubled since the war with output rising from 1.2 million to 2.4 million tons annually and three-quarters of the additional workers required to make this possible have been immigrants. Similarly, 40 per cent of the total workers employed in the motor vehicles industry are immigrants.

Australia has financed much of its development from its own savings, but it must continue to import capital if the pace of development is not to be slowed. The World Bank has now lent a total of \$317.73 million to help finance equipment from the dollar area for the expansion of the economy. A \$9.23 million loan of November 15 was part of a transaction carried out in participation with institutional investors to finance equipment for Qantas Empire Airways Ltd. Each of the other loans have been to assist in programmes for developing, expanding and improving productive facilities in major sectors of the economy. The programmes to be assisted with the proceeds of the loan announced today are:

AGRICULTURE AND FORESTRY — \$17.2 MILLION

Agricultural products, including wool, wheat, meat, dairy products, fruit and sugar, earn more than three-fourths of Australia's export income and, for the foreseeable future, will remain the major source of the Commonwealth's foreign exchange earnings.

In the last five years, the Commonwealth Government has consistently given a high priority to agriculture and adopted policies to increase the output and export of rural products. The output is now 32 per cent more than it was before the war; and exports have increased by 31 per cent despite a 35 per cent increase in population over the same period. As long as the world demand for Australia's major agricultural exports remains fairly strong, possibilities for further growth in rural output are still large.

The continuing research on farm problems has had some remarkable results in finding new methods of

land clearance, conserving water and fodder and improving soil fertility. One particularly rewarding measure has been to control the rabbit population by infecting it with myxomatosis. Prior to the adoption of this method of extermination, it was estimated that about 600 million rabbits were eating grass sufficient to feed 75 million sheep. Because of the degree of control achieved through myxomatosis, it is estimated that in 1955 £A 50 million (\$110 million) was added to the year's export income from wool.

Equipment financed by earlier Bank loans has helped to increase farm efficiency, to improve pastures and to expand land settlement. The Bank's continued assistance in this programme will enable Australians to continue development along these lines. The equipment to be imported under the loan announced today will consist largely of heavy tractors, agricultural machinery and implements, and components for the manufacture in Australia of agricultural machinery.

ROAD TRANSPORT — \$12.8 MILLION

Because of the large distances between centres of population and production, adequate and improved road transport facilities are of great importance to the Australian economy. Since 1939, freight carried by road has grown rapidly and the number of commercial vehicles operating in the country has more than doubled. Heavy trucks are now carrying an increasing volume of inter-State traffic. With the increased traffic density the need for construction and proper maintenance of highways has become more pressing. The funds allocated from the loan will assist in financing the import of trucks, tractors, components for truck manufacture in Australia, and equipment for building and maintaining roads.

RAILWAYS — \$4 MILLION

The Australian railway systems have been turning more and more since the war to diesel electric traction and other modernization measures to reduce operating costs and improve efficiency. Most of the Bank funds allocated to the railways will be used for the import of components for the manufacture in Australia of diesel electric locomotives and other rolling stock, control equipment and equipment for track maintenance.

INDUSTRY AND MINING — \$16 MILLION

Manufacturing industries now employ about 30 per cent of Australia's labour force and produce approximately one-third of the national product. Between 1939 and 1956 the volume of manufacturing output has more than doubled; the manufacture of machinery and transport equipment has developed most rapidly. The outlook for sustained industrial expansion appears to be good. Mining, which makes a significant contribution to Australia's foreign exchange earnings, is expanding moderately. The present loan will provide the foreign exchange needed to import specialized equipment necessary for expanding output and increasing efficiency in the iron and steel, engineering and food processing industries and in the mining of lead, zinc, copper and coal.

TERMS AND SIGNING

The loan announced today is for a term of 15 years and bears interest of 4½ per cent including the 1 per cent commission charged by the Bank. Amortization will begin July 15, 1959.

After having been approved by the Bank's Executive Directors, the loan documents were signed on December 3, 1956, by the Honourable Sir Percy Spender, Australian Ambassador in Washington, on behalf of the Commonwealth of Australia, and by Eugene R. Black, President, on behalf of the World Bank.

December 14, 1956.

THE EASTERN ECONOMIST

901



The world still awaits the adventure of Wireless... it's the age of the horse-drawn carriage. And people who talk of flying aren't airmen as yet; they're poets.

Calcutta is India's capital, and at one of its busy wharves, there's a picturesque mailboat from England, self-conscious in its new power of Steam. Look away for a moment to something else that is new. There! In those crates... the first few cakes of a new soap: *Sunlight*. The crates say: 'Made in England by Lever Brothers.'



Bobbing away on porters' heads, the cakes go off to some obscure bazaar of old Calcutta and from there... on to journey's end: the homes for which Levers have made the soap.

That's how it was one summer day of 1888. Lever Brothers (then, a three-year old British enterprise) thought the world of *Sunlight*. Soon, thousands of bazaars were stocking 'the tablet that foamed'—and families became converts for good.

Little by little, the motor car arrived (the model with the turkey-croak hooter); then the telephone began to jangle in Indian homes. And in those homes, time wasn't standing still either. People were asking for new and varied products to meet their changing needs. So, Levers—developing in step with them—produced for the home such things as *Lifebuoy*... *Vim*... and *Lux Toilet Soap*. This is becoming a story of familiar names, isn't it?

In 1922, Levers started making soaps in Calcutta—encouraged as they were by the increasing demand for their products. In 1934, a second factory went up in Bombay.

In 1926 came Dalda Vanaspati from Holland. And, with it, there started a revolution in India's nutrition—the use of a hardened vegetable oil for cooking. To manufacture *Dalda* in India, a new Lever Company was born in 1932: 'HVM'—the Hindustan Vanaspati Manufacturing Company Limited.

And still the Indian home called for newer and 'different' products. And so there came to India *Pears Soap*, *Erasmia* and *Colgate* products, *Himalaya Bouquet* toilet soap, *Arum* soap—familiar members of the *Lever* family. Marketing of these products led to the formation of yet another Lever Company in 1935: 'UTL'—United Traders Limited.

Now, you can't separate the tale of these products from the tale unfolding within Levers. The people in their factories and offices were changing, for one thing. Foreign experts were joined by the young men of India and today over four-fifths of Levers' executives are Indians.

Meanwhile, Levers were buying all the raw materials that India could offer. These purchases grew as manufacture expanded—till, in 1955, about 88 per cent of the oils and fats that Levers needed was supplied by India's fields and coconut groves.

An international partnership—that's what soon grew up in Levers. Foreign technical and marketing experience linked up with the talents and resources of India. Result? The Indian housewife today is supplied with products that are among the world's best.

Today, we are sixty-nine years from the crate of soap that, almost unnoticed, started Levers in India. Today, a new chapter in our story has opened with the association of Indian and foreign capital in Levers. Indian and British Directors work together on the Board, too. Here's a joint venture that serves the nation and advances with it.

Yes, the future arrives with each tick of the clock. And Levers face that future with a new name: 'HINDUSTAN LEVER LIMITED.' So the stories of HVM and UTL end, in a sense—because they've merged with 'Lever Brothers' to form Hindustan Lever.

But the Lever story goes on. For India's story goes on, and Levers have grown with India's needs and progress. As it has done for sixty-nine years, Hindustan Lever will continue to serve the Indian home.

HINDUSTAN LEVER



SERVES THE HOME



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"M'LUD and gentlemen of the Jury, the case for CARGO BY AIR rests on a few simple facts — facts which businessmen are quick to grasp and appreciate. To summarise, M'Lud —

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Cargo by air costs less — it cuts down handling and warehousing charges, gives you a quick return on capital outlay, costs less for transit insurance.

Cargo by air is MODERN — in this age of speed and competition, the other man has learnt the value of cargo by air. And it is high time, M'Lud and gentlemen of the Jury, that you do, too!"

The Judge, remarking that he could add nothing to this masterly expose, invited the Jury to consider the case. This they did without leaving the box, and all good men and true returned an overwhelming verdict for:

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A DELHI DIARY

RE-ENTER ROBIN HOOD

I AM transferring myself, by editorial command, to Calcutta. The Place: The Bengal Chambers' spacious meeting hall. The Time: 11 A.M. on December 10. The Occasion: The Annual Meeting of the Associated Chambers of Commerce. The Purpose: An exchange of pleasantries on the economy of the country. Chief Participants: Mr. Oscar T. Jenkins, President of the Associated Chambers of Commerce and Mr. T. T. Krishnamachari, Minister of Finance in the Indian Union. Result: Good humour and some provocation. Major Discovery: A Modern Robin Hood.

RANDOM CHOICE

I have recently been initiated, through the courtesy of the statisticians of the Indian Institute of Public Opinion into the great art of random selection. I have promptly applied this technique which, I am told, is becoming more and more respectable (after the National Sample Survey) to the speech of Mr. Jenkins. I consider myself amply rewarded in that, in four random selections, I have struck four good pieces of genuine good humour. No doubt the Indian Statistical Institute and the Indian Institute of Public Opinion will argue, on the basis of this random finding, that the President's speech was entirely humorous. It is not a fact that the chance of all four selections being of the same (humorous) kind is negligible unless the "universe" is full of humour? Here are the pieces which I set down as an example of the kind of sly fun which endeared Mr. Jenkins to his audience, particularly those who like myself (and unlike the toad beneath the harrow) have no experience how deep each tooth point goes. However, here are my random selections.

RANDOM SELECTION 1

"Mr. Krishnamachari is no stranger to this audience as he has been kind enough to address us on two previous occasions. When he came here before it was in the role of Minister for Commerce and Industry. He is now the Finance Minister. After tending the herds of commerce and industry, it is now his task to milk them."

RANDOM SELECTION 2

"It is true, let us admit it, that all criminals are members of the private sector. It is also a fact that certain activities, criminal when carried out by individual members of society, become legitimate when carried out by the State. The burglar, for example, engages on perhaps one of the most private of all forms of private enterprises, but a not entirely dissimilar activity involving the redistribution of wealth is unexceptionable when carried out by our Finance Minister with the aid of the Central Board of Revenue."

RANDOM SELECTION 3

"If the public feel that the private sector provides its leaders with too much money or too much authority, they should think twice before replacing them with an entrenched bureaucracy. Let us remember that Shakespeare thought of plutocrats and bureaucrats in the same terms. Hamlet's list of things that make life not worth living brackets the arrogance of the rich man with the insolence of the official."

RANDOM SELECTION 4

"It has been an accepted fact of life that every assistant would like to be a Director. It is only since

the Companies Act, 1956, that we find every Director wishing he could become an assistant."

Since I am not certain as to the character of the "universe" described by these random selections, I shall say no more on that expanding subject. But I might inform my anxious readers that the full text of Mr. Jenkins' speech is available elsewhere. It repays study not least because of the cheerful manner in which it shows how the private sector, facing the trials and tribulations of this socialistic world and bereft of all things ('trash' in Shakespearean English) can still retain something without which it would be poor indeed.

PARALLEL LINES?

T.T.K. was also in good form. He accepted with admirable grace the description of a burglar which (in Random Selection 2) Mr. Jenkins had given. He promised to wear the burglar's apparel, gloves and rubber shoes, and proceed as unobtrusively as possible. Unhappily the debate in the Lok Sabha seems to have ended by his casting off all his silencers. He struck out fiercely; which burglar rings the burglar alarm? "I will offer no apologies", he said, "for coming back to the House with perhaps new measures not only on February 28 or 29, twice, three, four or five times, in season and out of season for more revenues and for more power in order to see that this Plan is fulfilled." There were loud cheers at this point. I thought, irrelevantly: Why February 29? There is no leap year until 1960. Will this policy last that long? And will the private sector have died of discouragement?

Looking less superficially on the grand debate (which goes in spite of everyone's saying it is unnecessary) I make my own (necessarily superficial) comments. It seems to me that our active agents, who are crying out against the great impediments indiscriminate taxation places on incentives, are represented by Mr. Jenkins and company. Against them, the passive elements (the 'Have-Nots' and/or politicians) choose to assert that it is a political "imperative" that socialism should be instituted without delay. The true debate is thus between the active and passive agents of society, whose interests are different. The passive elements want to share in the prosperity, which some of the active agents create. It is obvious to me that with political democracy and adult franchise some sharing is essential. But if it should happen (as it does) that the passive elements ask both for a larger cake and a larger share in the existing cake, the case of the active agents is not so hopeless. Distribution cannot always take precedence over production. I would argue that this is the point on which T.T.K.'s political argument, otherwise impregnable, was weak. He has a mandate for the people. But which mandate? A higher rate of economic progress or smaller disparities in wealth? Can both go on parallel lines for ever?

I argue that in the short run passive elements must win because their representatives have complete political power. But, in the longer run, since the long-term solution is production and production only, the active agents will have a turn. But, of course, in the long run, as Keynes remarked, we are all dead. May I add only this consolation for the dying?

Oh, death, where is thy sting?

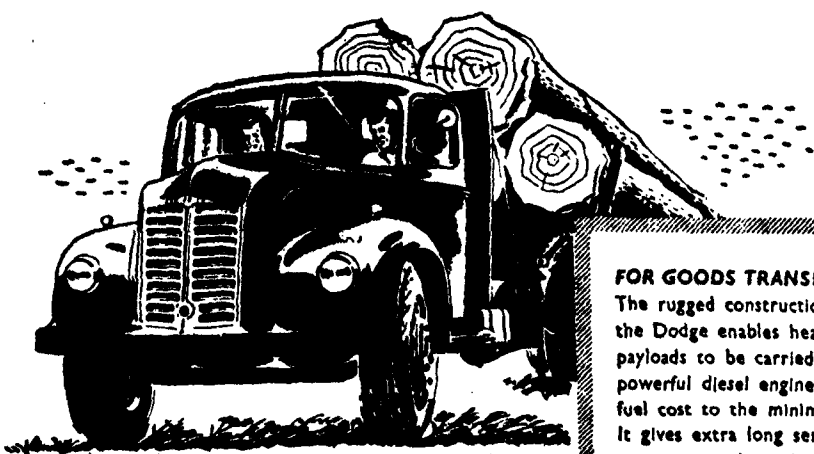
Oh, grave, thy victory?

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Special Article**THE ROLE OF RAILWAYS—I**

By

J. E. CASTELLINO and PROF. A. S. DESHPANDE

IN the comity of nations, the relative importance of a country can be assessed on various indices of greatness. The mere size of the country is a weighty factor. So is the strength of its population. The number of its iron and steel works and cement factories, its textile mills and chemical concerns, its river-valley projects and hydro-electric schemes, and such other industrial features, also furnish a pointer to its prosperity. But by far the most commonly-accepted criterion of a country's importance is the extent of its communications — its roadways, its riverways, its shipping and, of course, its railways. Hence, the maxim: Transport is civilisation.

In India, the paramount role in transport is played by the Railways, which cater to over 80 per cent of the total traffic. Over a million persons are employed by Government: indirectly, one in every hundred is dependent on the Railways. It is not only the largest nationalised undertaking, it is also the biggest single business enterprise in the country. Over 40,000 miles of vital communications — maintained by us; over 40,000 miles of vital communications — maintained by us; over 800 crores of rupees — invested by us; over 40 crores of rupees — spent by us on purchases of stores; over 7,000 stations — manned by us; over 8,900 locomotives, 17,000 carriages and 229,000 wagons — run by us. These constitute our railways. Do we always realise the tremendous implications of these figures?

Little wonder then that from a nationalised undertaking, a public-utility service and the largest commercial organisation in the country, the citizen has come to believe that he has the almost inalienable right to demand that the railway system should be both efficient and sufficient. In normal times, sufficiency does not feature as a public demand: on the contrary, the Government is apt to be belaboured for its lack of foresight in providing against an economic depression. This was the tenor of the complaint in the thirties of this century when the whole world was in the grip of an economic depression, the like of which has never been seen before or after. Everything was surplus and the railways also had a lot of capacity going to waste. Came the War and shortage: these were the normal phenomena — shortages in food, in clothing, in housing, in materials, even shortages in transport. In the all-out effort during the armed conflict, there was no time nor money for normal repairs and rehabilitation so that after the War the railways were in a terribly deteriorated condition, for which happily no one was to blame — but the War!

Since then, while a good deal of the railways' surplus has been devoted to making up the leeway in repair and rehabilitation and in obtaining additional loco power and rolling stock, the country is still today faced with a shortage in transport, testimony to which is provided by the overcrowding in trains and by the inability of railways to meet all demands for wagons.

PROFIT-AND-LOSS ACCOUNT

The desire for sufficiency is an essential phenomenon but efficiency is an all-abiding objective. What is an efficient nationalised railway system is a question which has been answered in many voices; and it is

here that the detached economist feels that the administrator of the railways has been clever enough to play the role of a fox in the scramble for cheese between the cats. Efficiency can be interpreted in many ways: the simplest, the most naive, and yet in a sense, the most satisfactory is the yardstick of solvency. Railways must balance their budgets and, in so doing, not only must they meet all their expenses but they should, as ordinary commercial organisations, pay the interest charges on the capital invested by Government, provide for adequate depreciation, allocate sufficient funds for rehabilitation, make an allowance for amortisation and even set aside a certain amount of profit for the expansion of the network of railways.

Commendable though it be, this objective is not always acceptable to the mercantile community, whose dissatisfaction with a purely accountancy method of efficiency draws its inspiration from an unparalleled economic situation in the country, namely, the absence of any effective competition with the railways. It is urged and with great deal of justification, that with the virtual monopoly which the railways enjoy, a good balance sheet is no proof of efficiency. The validity of this argument is further endorsed by the suspicion that every shortfall of revenue can be made good by an alteration in the formula for depreciation or by window-dressing in the various reserves which the railways have to maintain. There is also the fear (which unfortunately has some historical background) that an anticipated deficit can be met by an increase in the rates!

In this context, apart from operating economies and increased efficiency in train working, there must be earnest exploration of every possible avenue of revenue. An inducement to traffic for wagons required to be sent towards an interchange junction; a concession for train-load movements between one marshalling yard and another; an encouragement for bulk traffic in the direction of empties — all these commercial devices must be tried so as to create traffic where none exists. Some of these measures will be purely and shockingly temporary; others will be required for a period of days, or even months, depending upon the pattern of the flow of ordinary traffic. What is exciting is that local initiative can be brought into play — thus demolishing the criticism of rigidity and lack of commercial sense which is a favourite Aunt Sally with the public.

INCREASED COSTS OF WORKING

While the economists, the industrialists and the business men have been arguing that our railways must subordinate purely commercial considerations to an over-all national fiscal policy, and encourage the practice of quoting developmental rates and giving other facilities so as to foster the industrial and social progress of the community, the Government seems bent upon an upward revision of freight rates. One reason for this is that while the Wholesale Index of Prices has risen from 100 in 1939 to 419.9 in September 1956, the increase in freight rates has been only of the order of 50 per cent at the most. As a commercial concern, the railways should be entitled to raise their freight rates to the full extent of the rise in the price level and, if possible, more, on the well-known principle of making hay while the sun shines! While some rise in freight

rates to cover the increased cost of working is justified, an attempt to raise rates to the full extent of the rise in prices would at once draw upon the railways the unpalatable charge of profiteering to the detriment of the economic development of the country. The monopolistic position cannot be allowed to be exploited to the disadvantage of the country; commercialism should not degenerate into legalised robbery!

If for no other reason than its novelty, account must be taken of the argument that during the second Five-Year Plan period, the railways will be increasing their transport capacity substantially to enable them to handle the additional sixty million tons of expected traffic. While this will involve the railways in increased expenditure on improvements to goods sheds, on developmental works necessitated by the increased traffic, for appropriations to Depreciation and Development Funds, and on account of contribution to General Revenues, the increased capacity will be largely absorbed by low-rated traffic; and so it is imperative that the general level of freight rates should be raised to offset the increase in costs.

Is this a fairly accurate forecast of the traffic trend? The presumption that the increase in traffic will be largely in the low-rated group is open to dispute. As the plans for expansion of old industries progress and as new industries are established, there is bound to be a substantial increase in the volume of such high-rated traffic as piece-goods, machinery and machine tools, paper, jute products, tea, oil, petroleum products, radios, electrical goods, plastics, synthetic fibres, and a wide range of other industrial products, all of which will contribute handsomely to railway revenue.

Even if in the earlier stages, the railways are called upon to face temporary deficits due to substantial increase in expenditure which is not covered by additional revenue, the situation need not occasion any anxiety. An ordinary commercial concern, when it undertakes a programme of expansion, does not — often it cannot — raise the price of its product to cover its increased cost. It is prepared to wait till the increased flow of production results in diminished costs and brings in a sufficient revenue, not only to cover present costs but also previous deficits. If a private concern, without any social obligations, is willing to face a temporary deficit and resist the temptation to raise the price of its products, the railways, which are a State undertaking and which are honoured with social obligations, cannot claim any such justification for raising their rates. Lastly, it must also be remembered that while by raising their rates, the railways will balance their budget, this would mean disturbing the budgets of thousands of industrial concerns and millions of business firms. Far from helping in a rapid industrial development on sound lines, such a policy will hamper progress. There is, therefore, no justification, even from a commercial point of view, for an enhancement in the railway rates to cover all the additional costs during the period of the next five years or so.

It is legitimate, therefore, to ponder seriously on the role, in the social and economic development of the country, which the railways are required to play. Viewed as a commercial concern, nothing more or nothing less, they can be expected to pay their way in the normal sense of the term; but as a nationalised agency, free from effective competition, with a grand tradition of service, it is hardly an exercise in apotheosis to suggest that railways must become a potent instrument for progress and a pre-eminent contributor to the welfare of the people of the country. To the traveller, this means better amenities; to the trader, adequate supply of wagons, cheap transport and prompt settlement of claims; to the industrialist, freedom to establish

new industries and to expand the existing plants, by the enjoyment of developmental rates; to the citizen, a contribution to the exchequer which would relieve, in some measure, the burden of direct and indirect taxation.

It will be observed that all these objectives are, in a sense, self-contradictory, but in no sense are they impossible of achievement. Hitherto, the cautious administrator, assuming the philosophic pose of the man, who benefits from experience in the tale which furnishes the simple moral that it is dangerous to attempt to please everybody, has done nothing very spectacular, either in the individualist era or in the nationalised age. Perhaps, the pressure of Governmental methods compels, in even the most enthusiastic bureaucrat, an attitude of passivity or masterly inactivity. Dickens, in a moment of vision, created Micawber and symbolised in his character the yearning aspiration and the pathetic hopefulness of the disillusioned man who was "waiting for something to turn up". Perhaps some day, an Indian Dickens will create a story in which the central role will be played by the government official who is awakened into activity by the desire to consider a proposal which he can "turn down".

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PST. 163

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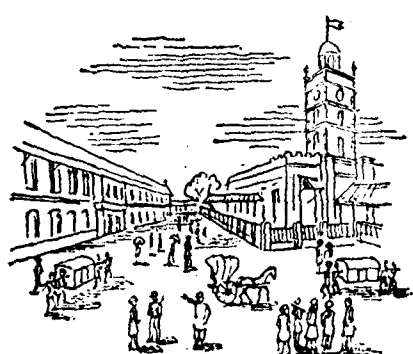
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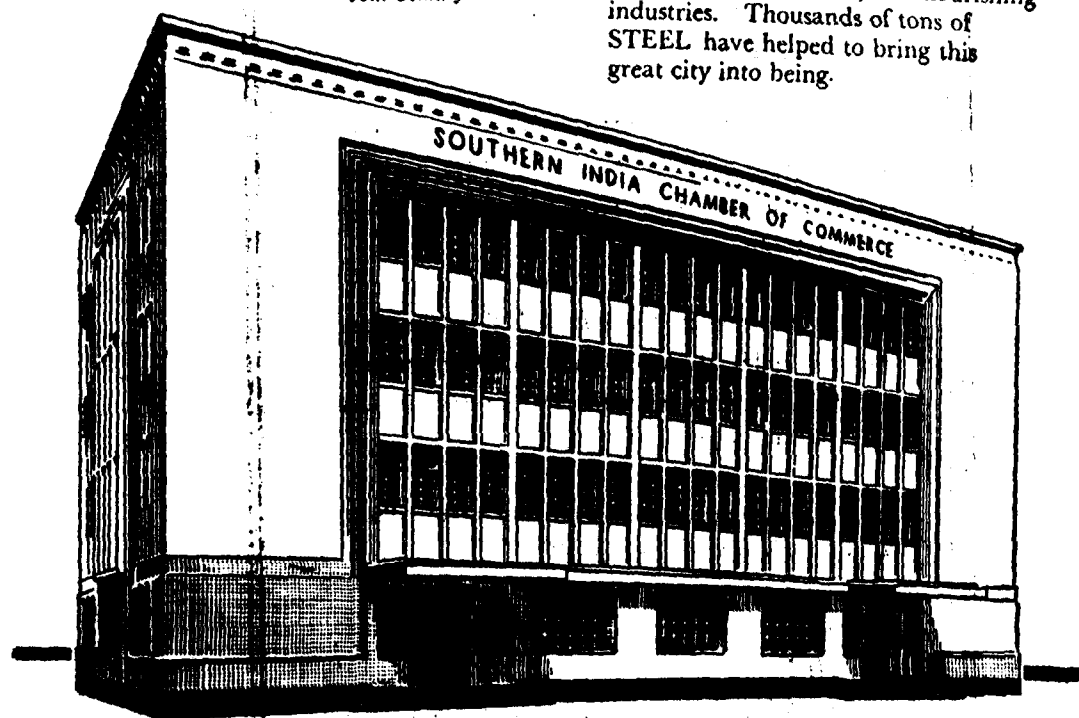
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there was once naught but the city's site." OVID



Madras street scene
—18th Century

Madras

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The Business World

INTEGRATED ROAD-RAIL POLICY

By

CROESUS

ALTHOUGH I have little faith in the conference approach to the early and effective solution of problems generally, I must say that the plea for a round table conference of representatives of road transport industry, the Union Ministry of Transport and others for working out plans to make the two systems supplementary and complementary to each other in the interests of the country's economic advancement, put forward by Dr. F. P. Antia, at the last annual general meeting of the Bombay branch of the Indian Roads and Transport Development Association, (IRTDA), is not only opportune but also full of promise. It is not that such a suggestion has not been made in the past, but the great urgency of a conference of this kind today stems from the all-important place that transport occupies in the second Five-Year Plan. Unless an early solution is found for the transport shortage—of which what is encouraging to note is that everybody, both official and non-official, is fully aware—the second Five-Year Plan will not succeed, as the relevant resolution, adopted early this week by the Associated Chambers of Commerce at Calcutta, has rightly highlighted. Dr. Antia was not at all exaggerating, therefore, when he observed that the anticipated shortage which would be as much as 36 million tons, presented a "frightening" prospect, apart from tending to upset the country's entire production programme. In view of this, and the still more "alarming" picture of the future that the Bombay Chief of the IRTDA had to paint, it behoves those who shape the economic policy of the nation to do some fast and furious thinking and follow it up by some very quick and suitable action too.

It is unnecessary to record all the artificial restrictions that now hinder the development of road transport in this country. But perhaps, the one great obstacle, which those interested in the road development of this country are never tired of repeating—because they are forced to—thanks to the inertia and lack of imagination of the authorities, is what Dr. Antia termed as the seemingly unshakable "superstition" of the railway authorities that road transport is a rival of the railways. The question of rivalry, to my mind, should not at all arise in the present circumstances when, try as much as they can, even both the railways and the roads together cannot meet all the demands that are being made on them, let alone future needs. What is necessary, therefore, is to pool the resources of all modes of transport, so that the nation's job might be done first. Referring

to the other factors that retard development of road transport in India, Dr. Antia listed the familiar ones, such as heavy taxation, threat of nationalisation, and limitation on haulage weight. While the development needs of the nation may not permit of immediate relief in regard to taxation, one fails to see what is withholding the powers-that-be from raising the limit on haulage weight and reassuring the concerned interests in the matter of nationalisation of road transport. Despite promises and assurances at the highest level that goods traffic on the roads would not be nationalised, for some time to come. One comes across repeated threats by one State or the other to nationalise even this wing of road transport.

As a Bombay man, I suppose, Dr. Antia has ample justification for his complaint that, despite the doubling of the provision for road transport in the country under the second Plan as compared to that under the first Plan, the allocation to Bombay State falls short of expectations. The allocation of Rs. 16.8 crores, as he pointed out rightly, is the same as it stood prior to the reorganisation of States. There is clearly need for revising this allocation, the more so because, Bombay's record in the matter of road development under the first Plan has been quite satisfactory. Instead of patting the Bombay Government on its back for this achievement and giving further encouragement by a "higher allocation, the authorities seem to be content with maintaining the 'status quo', and that even after the reorganisation of States which makes the new bilingual Bombay State bigger and not smaller.

If it is not too parochial on my part to do this, I am bound heartily to endorse the remarks that Dr. Antia made about the highways that lead to Bombay. The conditions of some of these roads are so bad that the users, be they pedestrians or motorists, cannot help swearing at those whose responsibility it is to maintain these roads. Evidently, despairing of the chances of these roads being repaired and restored to good conditions early, the learned doctor must have urged the authorities at least to implement the plans that are there on the tapis to construct the two highways parallel to the existing roads. I have my own doubts whether, by their attention being divided between the need to repair the old roads and the necessity to construct new highways and unable to take any decision, the authorities will not stay put.

AWARD ON PLANTATIONS

By

CROESUS

SHAREHOLDERS have become more or less inured, these days, to fairly frequent shocks, what with Plantation Awards and off-season surprise budgets. But it is one thing their becoming accustomed to these shocks and quite another their surviving the effects of each of these shocks, let alone the cumulative effects of all of them. Someone has characterised the latest budget of our new Union Finance Minister as being worse than the Liaquat Ali Budget, and if the shareholders have survived the latter budget, there is at least an off chance of their surviving the first instalment

of the Krishnamachari budget. Is not it after all just the first instalment? But this provides the foretaste of what is in store for the shareholders next May—one must thank the General Elections which have helped to convert the annual nightmare of the last day every February into what promised to be a jaunt with a lame duck (so we are assured by TTK himself) and put off the D. Day—one must pity the lot of this hapless lot.

There are shareholders and shareholders, and happily, not all are singled out for such special treatment

as that meted out to shareholders in plantation companies in Madras, thanks to the Award of the Special Industrial Tribunal for Plantations of that State. After seeing that Award, I think it is wrong to say that TTK has outdone the late Liaquat Ali Khan; it is far more appropriate to confer that honour on the Madras Tribunal. At one stroke, the Tribunal has done so much to labour that the resulting merit, if there is such a thing as merit for a good turn, should be enough to wash away the sins of generations! Frankly, I had no notion of the effect of the Award until I attended a meeting of shareholders in planting companies, held recently in the hall of the Bombay Stock Exchange, and read the notice to shareholders, circulated by the Chairman of the Bombay-Burmah Trading Corporation, Ltd., in which he has explained the effect of the Award on this Company. I guess I won't be found guilty of commenting on a case which is 'sub judice,' if I merely reported in these columns some of the data already placed before the meeting in question and circulated by the Chairman of one of the affected companies to the shareholders of his company. Here are the data:

- (i) The Award affects about 1,25,000 workers engaged in some 42 plantation companies with 228 estates in the State of Madras.
- (ii) It raises the daily wages from Rs. 1-7 to Rs. 2-4 per worker, with retrospective effect from March 24, 1952.
- (iii) The total estimated payment to labour, apart from the annual increase in the wage bill of about Rs. 2½ crores, in some Rs. 12½ crores.
- (iv) The aggregate capital of these 42 plantation companies works out to Rs. 9.24 crores and their reserves to Rs. 10.34 crores or a total paid-up capital and reserves of only Rs. 19.58 crores.
- (v) There are individual estates, such as the Chembra Peak, for instance, the total liability of which arising from the Award exceeds its paid-up capital and reserves, the two being Rs. 19½ lakhs and Rs. 13.83 lakhs, respectively.

(vi) The following are the approximate liabilities, under the Award, of a few companies selected at random:

Company	Liability	Annual increase in wage bill
Bombay-Burmah	Rs. 89.41 lakhs	Rs. 24.5 lakhs
Periakaramalai Tea	43.50 "	12.5 "
Outhertony Valley	36.00 "	8.9 "
Chembra Peak	19.25 "	4.0 "
Neelamalai	16.00 "	3.5 "

(vii) Since the Award, the shares of the affected companies are reported to have depreciated in value by 30 to 35 per cent.

(viii) About 80 per cent of the shareholders in these companies are middle and upper middle class people depending on their dividend income.

(ix) Tea companies pay 40 per cent income-tax, and 60 per cent agricultural income-tax, while rubber and coffee pay 100 per cent agricultural income-tax.

(x) Tea and coffee and rubber, to a small extent, are our valuable foreign exchange earners.

I am not a shareholder in any plantation company, but I feel that these facts about plantation companies in Madras deserve to be widely known. For obvious reasons, I refrain from making any comment.

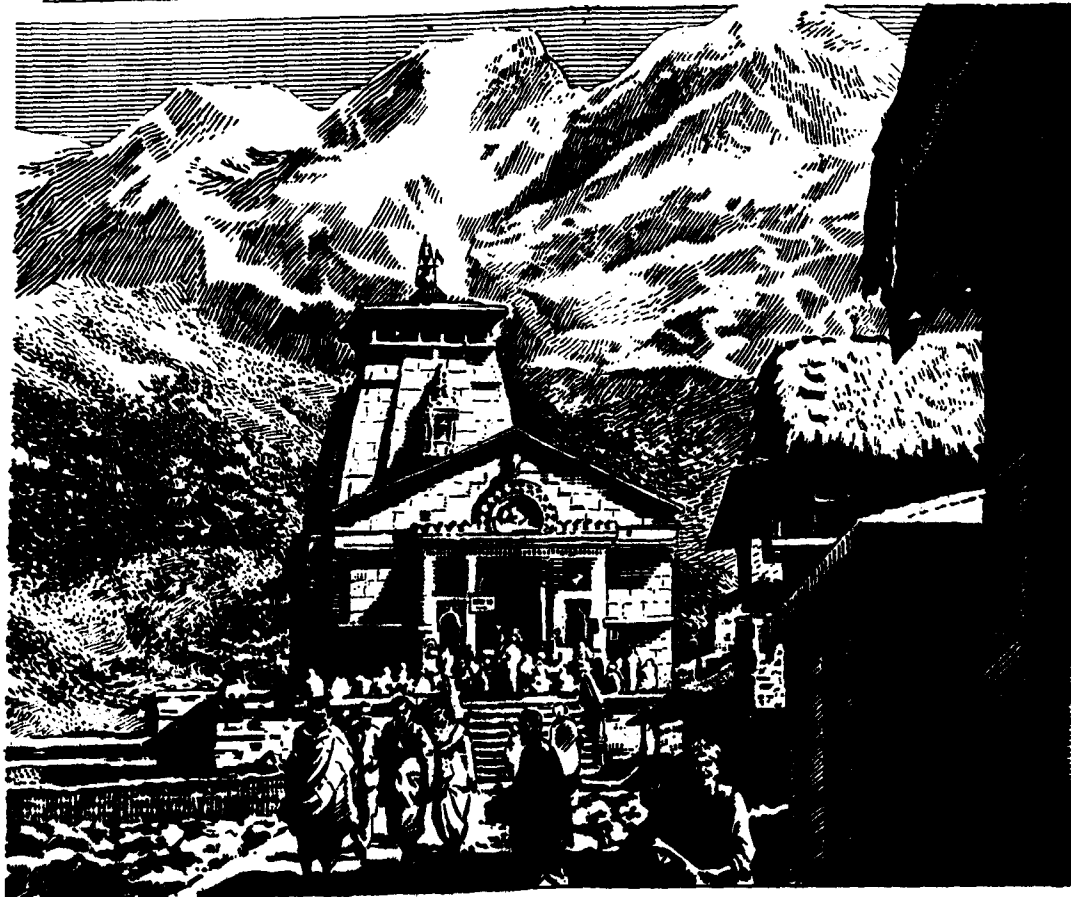
A CORRECTION

In the Business World Article on "The Capital Gains Tax" on page 859 in the issue dated December 7, 1956, the following correction should be made in the last paragraph, lines 8 etc.

For the sentence "In the case of companies the rates of capital gains tax will be.....two years April 1946 to March 1948", please read: "In the case of companies the rates of capital gains tax will be the same as the rates for income-tax. This radical change raises the rates far above the rates for the capital gains tax obtaining in the two years April 1946 to March 1948".

The error which was due to printing is regretted.

Around India with Brooke Bond



A shrine in the high Himalayas—Kedarnath

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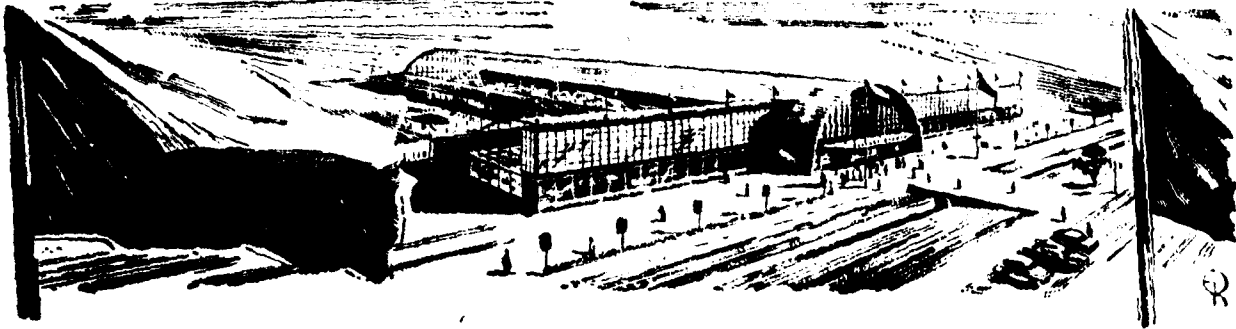
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CRISIS IN STERLING AREA'S RESERVES

MR. MACMILLAN'S announcement in the House of Commons on November 4, regarding the steep fall in the sterling area's gold and dollar reserves makes a telling disclosure of the consequences of the invasion of Suez. Since August last the reserves fell by \$400 million. In November alone there was a precipitate fall of \$279 million. They now touch the low mark of \$1,965 m. which is below safety level. Mr. Macmillan who faced the House with the announcement must have turned a sadder man. In retrospect, he has reason to repent the overconfidence he displayed in asserting before the House that if there was a drop in the reserves due to temporary difficulties that is what they are meant for. The cause of the temporary difficulties in the present situation makes a vital difference. The Commonwealth Finance Ministers' Conference may be convened for consultation as suggested by Mr. Gaitskell. The UK Government proposes to ask the US and Canada for waiver of payment of interest due in this month for the 1954 loans. In terms of the loan agreement with the US, grant of waiver requires that the release of sterling balances to holders other than the dependencies should be reduced pro rata. This is one aspect of immediate impact of the crisis on India and other countries concerned.

Waiver would secure relief to the extent of \$104 million out of which \$81.8 million are accounted for interest on the US loan. The waiver would be obtained. But opinion in the UK on asking for a waiver is not unanimous. Such a course may affect confidence. The UK will need large financial assistance from the US in the coming months. There is also the inconvenient prospect of a debate in Congress on the Suez adventure during the consideration of the request for waiver. To add to the UK's difficulties the provisional deficit with the EPU stands at \$24 million. Three-fourths of it is to be settled in gold or dollars. The Chancellor is right in exploring immediate measures to bolster the balance of payments position. The IMF is to be approached for withdrawal of part of UK's quota of the order of \$1,300 million in the Fund. The extreme course of raising resources to strengthen the reserves by offering UK's long-term dollar securities of the value of \$750 m. to \$1,000 million held as collateral guarantee for a loan is also proposed to be undertaken.

Doubts about the devaluation of the pound sterling will be effectively repelled by these measures. In the real longer perspective there is no basis for them. Inside the UK the price of petrol will be raised by 1sh. 5d. per gallon out of which 1sh. will be due on account of the imposition of customs duty and 5d. due to higher cost to oil companies down to the retail level. The revenue to the exchequer from the import duty in the rest of the financial year will be £80 million. The obligation to buy dollar oil until the Middle East supplies are fully restored puts a strain on external payments notwithstanding the cut of about 25 per cent in oil consumption. Industry's rising costs will reduce the competitive strength of the UK's exports. The real price of the Suez action will be known only after sufficient time.

SEA-ISLAND COTTON TO REPLACE EGYPTIAN

IN VIEW of the growing scarcity of Egyptian cotton due to reduction in acreage under cotton in that country and the complete blocking of the Suez route, cotton-growing countries all over the world have geared themselves afresh to the task of finding a suitable substitute for Egyptian cotton either in their own country or in countries from where such cotton could be easily imported.

In the case of India, it is accordingly welcome news that the latest experiments for the acclimatisation of the famous Sea-Island cotton in the West Coast have proved successful. Earlier—and still—experiments were—and are being—conducted in Mysore (Mandya District) under the Irwin Canal to grow Sea-Island cotton, but not with the same degree of success. The success of the more recent experiments, however, has encouraged further experimentation and led to actual cultivation of a variety known as "Andrews" over a wide area in South Malabar. About 60,000 acres of 'modan' land is proposed to be gradually brought under this superior quality cotton (Andrews). When this is achieved, the country would have a supply of about 40,000 bales of Sea-Island cotton, cotton that could take the place of Egyptian cotton.

Sea-Island cotton can compare very favourably with Egyptian cotton. The monopoly of production of this particular type of cotton is now held by West Indies. The staple length of West Indies' Sea-Island cotton is as high as 1½" to 2" and it is capable of spinning up to 150s count.

Apart from successfully replacing Egyptian cotton, another advantage that the cultivation of 'Andrews' offers is its high yield. In Pattambi, in South Malabar, 'Andrews' would appear to have recorded in 1955-56 an yield of as high as 1,614 lbs. (of seed cotton) per acre. The experiments have further revealed that "Andrews" is suitable for spinning 70s in small-scale spinning trials and, what is more, the fibre properties are found to be superior to those of the imported Egyptian Karnak! Given proper conditions of growth, good manure, and protection against pests, the cultivation of this variety of cotton would result in a net profit to the grower of Rs. 500 per acre, it is estimated. Here, indeed, is an instance of research paying rich dividends, and this might well revolutionise the pattern of cotton cultivation and cotton imports also in this country.

COTTON IMPORTS CHOKED UP

DOUBTS AND apprehensions seem to be increasing about the Government of India allowing imports of cotton into India. Otherwise, it is hard to explain why, despite the agreement signed by this country with America, in respect of import of US surplus farm products, including cotton, the terms and conditions of which were widely welcomed as favourable to this country, not a single licence has been issued thus far. Even the excuse that procedural details were not available to smoothen the way for imports cannot hold water now, as these have also been published since.

There have been complaints from trade quarters that the applications for licences have been summarily dismissed on the ground of non-fulfilment of minor technical details. This apart, the whole manner and method of Government's handling of the specific case of import of US cotton gives rise to the doubt whether the authorities are not still in two minds as to the need for the import of American cotton. Or is it that the delay in the issue of licences has been prompted by the higher production of indigenous longer staple cotton, on the one hand, and the larger crop outturn, on the other?

Be that as it may, importers and mills in the country are seriously concerned over the delay in the disposal of applications for licences. Many of them, who have ere now been able to book cotton at attractive prices, are faced with a dilemma as to whether to hold on or cancel their bookings and incur the displeasure of US shippers. Also, there is no knowing whether they would be able again to get cotton at equally attractive

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prices. Besides, another factor which has particular relevance to the import of US cotton is the possible increase in freight rates after January 15, 1957. All these have resulted in a concerted plea now being made by importers and mills alike for early issuance of licences, so that the maximum advantage could be taken of the prevailing lower freight rates.

When the procedural details in respect of the import of US cotton were announced, the authorities promised that some clarification would be made in respect of the import of East African cotton. This was particularly relevant in view of the earlier rumours in market circles that import of East African cotton would imply an obligation to import a given proportion of US cotton also. And when it became clear that there was not going to be any such nexus between imports of East African and US cottons, the trade, naturally enough, heaved a sigh of relief and entertained the hope that it would be able fully to participate in the Kampala auctions. But this was not to be, it seems.

Now, auctions in Kampala started over a month ago — on November 13 to be precise — when the first auction of the new crop was held and 15,000 bales of cotton figured. Kampala auctions are held, on an average, twice every week, and up to December 6, a total of over 120,000 bales was disposed of in bids. It is pertinent to point out here that India, which had almost established a tradition of accounting for the lion's share of East African cotton, taking some 55 to 60 per cent of the total crop outturn of that region, has been deprived of the opportunity of participating in the auctions for want of a prompt policy announcement in this behalf. It is also relevant to point out here that both the UK and the Continent have already taken more than their usual quotas of East African cotton, in view of the trouble in Suez and the deprivation of Egyptian cotton. When it is realised that, out of the total East African crop outturn of about 390,000 bales, more than 120,000 bales have already been auctioned so far, the imperative need for an early policy announcement in this regard by the Government and the need for India to step right in without any more delay become patent.

The authorities would do well to place all these facts in their proper perspective and come out with an immediate order of issuance of licences for the import of US cotton and a policy statement in respect of the import of East African cotton, and thereby help the trade to exploit the prevailing favourable price level. Any further delay would not only mean relatively less supplies of East African cotton but also payment of higher prices, an eventuality which the authorities should endeavour to prevent at all costs, especially now when there is little foreign exchange to be frittered away thoughtlessly.

PROGRESS OF IISCO

IN HIS address to the annual meeting of the Indian Iron and Steel Company Ltd., Mr. T. Leslie Martin, Chairman, referred to the question of dividend and explained how every effort was made to obtain the approval of Government to the admission of the shareholders to an increased participation in the profits. But since Government had not agreed to their request they had to accept the decision of Government with grace. There is, of course, force in the argument of the Chairman that to the extent that profits are retained in the business, the finance of the expansion programme and the ultimate repayment of the loans that are being incurred is facilitated. It should give assurance to shareholders that the mobilisation of the available resources for the completion of the expansion programme "is in the long term in the interests of the shareholders

as ultimately they will have their full share of the increased profits". In fact, Government's unwillingness to give its consent to a higher rate of dividend was based on this reasoning.

On the future progress of the Company, Mr. Martin had a right to be optimistic. It must be a matter of considerable satisfaction for the Company that the World Bank has come forward to include the second expansion programme of IISCO as one of the projects which it has selected for early consideration. The Bank has already invited the representatives of the IISCO to go to Washington and negotiate a loan of about \$20 million for the company's expansion programme. Mr. Martin pointed out that the revised retention prices were communicated in February this year and were fixed at a satisfactory level. The expansion programme, which has been approved by the Board, provides mainly for an increase in the finishing mills capacity. It is scheduled for completion early in the second half of 1959. Mr. Martin drew pointed attention to the international situation and said all their schemes must be judged in the light of the rapid developments taking place in the international sphere because the implementation of these schemes depended on sea transport, foreign exchange and similar imponderables. Earlier in his speech, he said, his prognostications for the current year proved wrong and the results of the previous year had been actually exceeded. Probably again next year Mr. Martin may have occasion to repeat the same experience.

RATIONALIZATION IN KANPUR TEXTILE MILLS

THE BIND BASNI PRASAD COMMITTEE'S interim report, pertaining to seven cotton textile mills of Kanpur, throws considerable light on the intricacies of rationalization. Is it not fair, the Committee asks, that the pace of rationalization should be determined by the degree of improvement the management brings about in the physical, mechanical and operative working conditions under which labourers have to function? For after all labour is an essential partner in industry. Rationalization so far as it goes tends to reduce jobs; it is unable by itself to bring about all-round efficiency and, thus also it cannot meet the ends of a progressive industrial economy. Rationalization in cotton textile industry would be highly desirable since this industry is of strategic importance for our exports and the prospect for larger textile exports is getting difficult for a variety of reasons. But rationalization also creates social and economic problems, particularly those of redundancy of labour. The pace of rationalization must, therefore, be regulated to cause the least dislocation. Under the circumstances it is justifiable to suggest that at least minimum conditions be fulfilled by the management before rationalization is earnestly taken up.

The Committee has estimated that the hands that will be eventually displaced, when full rationalization would come into effect would number between 1,713 and 2,147. To absorb this labour force the Committee suggests that the vacancies caused by death, resignation, retirement and abandonment should not be filled in, but should be set off against labour thrown out of jobs. Absorbing them in the vacancies created by death, retirement etc. is good. But that is a long-term and inadequate process. The displaced labour cannot afford to wait until vacancies are created for them by sheer chance or accident.

In a backward country like India, human resources are a vital force. In no programme of production can these resources be ignored. To bring about a measure without compensating them is fraught with dangerous consequences. In this connection we may refer to

particular to Mr. David Morse, I.L.O. Director General, who in 1953 said that "it would be inappropriate to adopt in countries where labour is abundant and cheap and capital scarce and dear, the capital-intensive and labour-saving methods of production which are appropriate in such countries as the United States and Canada".

SINDRI'S IMPRESSIVE STRIDES

THE FOURTH annual report of the Directors of Sindri Fertilizers and Chemicals Private Limited marks 1955-56 as another year of steady progress and expansion for Sindri. Good progress is reported to have been made with Sindri's Rs. 11 crores expansion scheme which is designed to raise its present production capacity by over 60 per cent by making two new types of nitrogenous fertilizers, urea and ammonium sulphate nitrate. The civil engineering work is well under way and it is expected that the bulk of the equipment for the new plants will be delivered and erected during the current year.

The Sindri's profits for the year before providing for depreciation and interest on loan from the Government of India amounted to Rs. 3,75,17,778. Out of this amount the Directors have provided Rs. 1,88,01,500 for

depreciation and utilised Rs. 23,52,936 in paying interest on loans to the Government of India. After making further provision of Rs. 28,74,619 for repairs and renewals, Rs. 30,00,000 is allocated to general reserve and Rs. 68,00,000 as dividend to shareholders at 4 per cent per annum, leaving a balance of Rs. 18,06,048.

As regards production of ammonium sulphate a record was set up in January 1956. The total production in 1955-56 was 326,062 tons against 299,983 tons in the previous year, an increase of 26,079 tons, a monthly production of 31,228 tons and daily average of 1,007 tons. The despatches of fertilizers to the various States during the year were 317,534 tons.

With respect to training technical personnel, Sindri has not been lacking in any manner in the field. During the year there were 95 engineering graduates to take apprentice courses at the Company's training centre. Not only did it play an important role in training technical personnel for supervisory posts for its requirements but also met the needs of other Government projects. While the public sector deserves congratulation for its performance in Sindri, it would be greatly desirable to carry the spirit of Sindri in other public sector projects where red-tapism and inefficiency are normal features.

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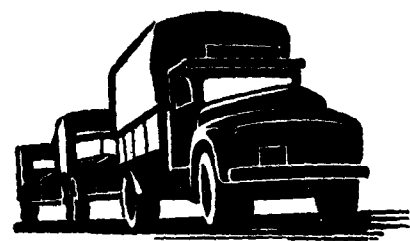
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COMPANY AFFAIRS

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Baradighi Tea Co., Ltd.

For the year ended December, 1955, the Company produced a total of 18,263 maunds of manufactured tea, exceeding its original estimate by 763 maunds. For the same year, it marketed 14,32,132 lb., showing an increase over the previous two years' figures, and realised an average price of about Rs. 2 per lb., as against an average total cost of about Rs. 1-9 per lb., exclusive of depreciation and labourers' bonus for 1953 and 1954. The accounts for the year show, after providing Rs. 1,35,418 for depreciation and Rs. 2,21,995 for labourers' bonus for the previous two years, a balance of profit of Rs. 3,17,533, which together with the balance of Rs. 53,496, brought forward, totals Rs. 3,71,029. Out of this, a total of Rs. 1.48 lakhs has been taken out to provide for taxation (Rs. 89,000) and to be transferred to taxation equalisation reserve account (Rs. 59,000). The Directors have recommended a tax-free dividend of 30 per cent which absorbs Rs. 1.80 lakhs leaving a balance of Rs. 43,029 to be carried forward.

In regard to the proposal of increasing the capital of the Company and to issuing bonus shares to members, the Directors feel that the penal taxation provisions of the Finance Act, 1956, has altered the position and it would not be in the interest of the members to proceed with the proposal, though sanction for it has been accorded by the Government of India.

The Central Cachar Tea Co., Ltd.

Here the original estimates of production, both at Burnie Braes and Serispore, have not been realised, the actual production of manufactured tea being 3,756 and 4,982 maunds respectively for the year ended December, 1955. The tea marketed and the average price per lb. realised was 2,87,297 lb. and Rs. 1-15 for Burnie Braes and 5,53,095 lb. and Rs. 2-1-8 for Serispore (this includes 2,066 maunds, 10 lb. of tea manufactured from Ballakandi green leaf at Serispore). The average total cost per lb. for the year, exclusive of depreciation and labourers' bonus for 1953/54 worked out at Rs. 2-11-10 and Rs. 1-12-10 for the two respectively. The net position of the accounts shows a loss of Rs. 2,24,392, after providing Rs. 1,03,613 for depreciation and Rs. 60,523 for the labourers' bonus, mentioned above. The loss is reduced to Rs. 2,20,283 by bringing forward from the previous account Rs. 8,109. To cover it, Rs. 2.25 lakhs has transferred from the Reserve Account, which makes available a balance of Rs. 4,400 to be carried forward.

Chandypore Tea Co., Ltd.

A total of 8,846 maunds 68 lb. of green leaf was harvested, for the year ended December, 1955, from a mature plucking area of 222.33 acres at Ballakandi. This was sold at Rs. 20 per maund. The overall position is that the accounts show a profit of Rs. 48,991, which after deducting the previous year's debit of Rs. 37,721 brought forward, stands at Rs. 12,270. After providing Rs. 1,810 for taxation, the disposable balance is Rs. 10,460, of which Rs. 10,000 are absorbed in paying a tax-free dividend at 4 per cent, as recommended by the Directors. The balance of Rs. 460 is carried forward.

Desai and Parbutia Tea Co., Ltd.

The Company produced, during the year 1955, 14,610 maunds of manufactured tea, against an estimated 14,000 maunds. The total average cost per lb., exclusive of depreciation, and labourers' bonus for 1953/54, works out at Rs. 2-4-4 while the average sale price per lb. was Rs. 2-8-10. A total of 11,46,698 lb. was marketed during the year. The year's working has resulted in a deficit of Rs. 8,240. The previous year's

balance of Rs. 51,859, brought forward, wipes out the loss, making available Rs. 43,610. To this has been added Rs. 1 lakh transferred from the reserve account and another Rs. 42,000 transferred from the dividend equalisation reserve account, which makes a total of Rs. 1,85,610. From this, Rs. 57,000 has been provided for taxation and Rs. 19,000 has been transferred to taxation equalisation reserve account. Of the balance of Rs. 1,09,610, a sum of Rs. 60,000 is absorbed in paying a dividend at 10 per cent, without deduction of income-tax, as recommended by the Directors. The balance of Rs. 49,610 has been decided to be carried forward.

As in the case of Baradighi, the Directors have thought it proper not to issue any bonus shares, as proposed earlier, for reasons given in the case of Baradighi Tea Co.

Rydak Tea Syndicate, Ltd.

During the same year, Rydak and Kartick produced 17,637 maunds and 8,209 maunds of manufactured tea respectively, the quantity being more than what was estimated. Rydak marketed 13,85,556 lb. and fetched an average sale price per lb. of Rs. 2-5-7. The figures for Kartick are 6,44,599 lb. and Rs. 2-0-8 respectively. The average total cost per lb. in the case of Rydak comes to Rs. 1-10-1 while that for Kartick it is Rs. 1-9-3. The financial results are a profit of Rs. 9,32,226 after providing Rs. 2,05,991 and Rs. 1,94,752 for depreciation and labourers' bonus for 1953/54, respectively. Adding to the profit Rs. 83,985 brought forward, it totals Rs. 10,16,211. Out of this provision for taxation has been made at Rs. 3.32 lakhs, and Rs. 1.50 lakhs has been transferred to reserve account and Rs. 60,000 to taxation equalisation reserve account. From the balance of Rs. 4,74,211, the Directors have recommended a tax-free dividend of 50 per cent which absorbs Rs. 3,73,200, leaving Rs. 1,01,011 to be carried forward.

The Directors have in this case also decided not to issue any bonus shares for the same reasons as given in the case of other companies.

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COMMODITY NEWS AND NOTES

MORE AREA UNDER COTTON

The All-India Second Estimate of Cotton for 1956-57 puts the current year's area at 15,955,000 acres as against the corresponding adjusted estimate of 15,422,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Union Ministry of Agriculture. This shows an increase of 513,000 acres or 3.3 per cent in area during the current year as compared to last year.

The overall increase in acreage during the current year has been shared mainly by Hyderabad, Bombay, Madhya Pradesh and Punjab and to a lesser extent by Saurashtra, U.P., PEPSU, Ajmer and Rajasthan and has been attributed generally to favourable weather conditions at the sowing time and to efforts made under the cotton extension scheme. The increase has, however, been offset to some extent by decreases reported by Madhya Bharat, Andhra, Kutch, Bhopal and Bihar.

INCREASE IN POTATO PRODUCTION

The All-India final estimate of potatoes, 1955-56, places that year's area and production at 693,000 acres and 1,899,000 tons as against the partially revised estimate of 658,000 acres and 1,736,000 tons for 1954-55, according to the Directorate of Economics and Statistics, Ministry of Agriculture, Government of India. Thus, the estimate of 1955-56 shows an increase of 35,000 acres or 5.3 per cent in area and an increase of 103,000 tons or 5.9 per cent in production as compared to 1954-55. The increase in area and production during 1955-56 was shared mostly by Bihar, Bombay, Uttar Pradesh and West Bengal and has been generally attributed to favourable climatic conditions both at the sowing and growing period of the crop.

RICE PRODUCTS EXPORT

The Government of India have decided to release for export a limited quota of rice products viz parched rice (murmura) ground parched rice (sattu) parched paddy or puffed rice (kheel) and beaten rice (chura) to all permissible destinations excluding the Portuguese possessions in India up to the end of December 1956, or till the ceiling is reached whichever is earlier according to a Press notification issued by the Joint Chief Controller of Exports, Bombay. The Press Note warns exporters not to enter into a long-term commitment as the export will be stopped as soon as the ceiling is reached. The maximum quantity that will be allowed per shipper from all ports will be five tons.

JAPANESE SHIP EXPORTS

The Japanese Ministry of Transport has announced that it had authorised the building of 78 ships for export, aggregating 1,436,800 gross tons during the first eight months — April to November of the current financial year. The value of the authorized shipbuilding contract totals \$421,598,795. The 78 vessels are made up of 52 oil tankers, 21 dry cargo ships and five others. According to the Ministry, the contracts so far authorised have already surpassed the target of 1.2 million gross tons officially set for export shipbuilding for the current financial year. It added that export shipbuilding contracts for the full year were now likely to reach 2 million gross tons worth more than \$500 million.

EGYPT'S COTTON CROP

The Egyptian Ministry of Agriculture has cut its estimate for the 1956-57 cotton crop. In its second estimate of the season the Ministry forecasts the crop at 7,037,000 kantars, a drop of 164,000 kantars from the first estimate made at the beginning of October. The 1955-56 final production was 7,253,000 kantars.

NICKEL PRICE INCREASES

The Mond Nickel Company has announced an increase in the UK price of nickel from £519 to £600 per

ton delivered works with approximate increases for other countries. This followed an announcement by the International Nickel Company of Canada raising the price of refined nickel by 9½ US cents per pound to 74 cents f.o.b. Port Colborne, its first increase since November 1954. The President, Mr. H. S. Wingate, said the increase was due to higher costs. Plans have also been announced by the International Nickel Company of Canada for a \$175 million (£62.5 million) nickel development project in Northern Manitoba.

GERMAN COAL OUTPUT

German coal output reached a post-war record last month when the daily average amounted to 479,200 tons against 458,300 tons in November 1955. Steel production slightly declined to just over 2 million tons compared with 2.1 million tons in October. In November 1955 it totalled 1,850,000 tons. The German steel industry's order books remained fairly stationary at about 6.2 million tons (excluding semis during the last few months) compared with 6.5 million tons at the beginning of the year.

SOUTH AFRICAN RESERVES UP

South Africa's total gold and foreign assets in the week ended November 30 totalled £125,240,000 compared with £123,700,000 a week earlier according to the Reserve Bank. The latest total comprised £77,881,000 in gold and coin and bullion, £35,877,000 in foreign bills, £5,080,000 in foreign securities and £6,402,000 in other foreign assets. The ratio of gold reserves to public liabilities was 62.7 per cent.

MALAY RUBBER EXPORTS

Exports of rubber from Malaya during November totalled 93,035 tons, a rise of 13.9 per cent over the exports for October. This figure is abnormally high for the time of the year and more than 5,000 tons above that for November last year. It is also the second highest monthly total for the current year.



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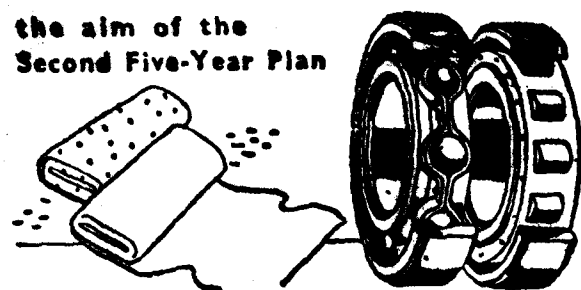
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Company Meeting

THE INDIAN IRON & STEEL COMPANY LIMITED

Speech delivered by Mr. T. Leslie Martin, Chairman of the Indian Iron & Steel Company Limited at the Annual General Meeting of the Shareholders held on November 30, 1956.

Gentlemen,

In my address to you last year I stated that it was extremely unlikely that the production and trading results of that year would be repeated and that the large increase in the revenue and consequent profits were off the mark. From the Report and Accounts for the year 1955-56, which have been in your hands for some days, you will have seen that the results of the previous year have actually been exceeded. Today I do not intend to make any forecast but will confine my remarks, in the main, to facts and will explain to you, briefly, the factors that have contributed to this happy position.

PRODUCTION

The Company's total production of 7,06,986 tons of iron fell short of the figure of the previous year by less than 9,000 tons. The output, however, of your Burnpur Blast Furnaces which provide the hot iron for steel making fell from 5,17,899 tons to 4,73,172 tons. This was due to the fact that No. 2 Furnace was off production for periodical re-lining. The loss of production on this account, however, proved to be much less than had originally been envisaged as, by improved re-lining technique, the work was completed in a very much shorter period than on any previous occasion.

With the change over of two of the Steel Melting Furnaces from Producer Gas Fuel to tar firing we were able, and are now in a position, to utilise a greater proportion of steel scrap in our furnaces than was formerly the case. As an offset to the inevitable drop in the availability of iron for steel making resulting from the closure and re-lining of No. 2 Blast Furnace, an intensive drive for the procurement of steel scrap from local sources was launched and carried out with such success that it was possible to make good the anticipated deficit and even to surpass last year's production tonnage of ingot steel by some three thousand tons. A further benefit was received by reason of the fact that the Rolling Mills were able to produce a larger proportion of the output in the form of finished steel commanding a larger margin of profit than semi-finished steel such as billets, blooms and slabs.

The production of iron from your Kulti Blast Furnace was 233,814 tons as against 197,702 tons in 1954-55, since both Furnaces were in full production throughout the year. In addition to the benefit of the consequent increased availability in the sale of pig iron, full advantage was taken of a larger allotment of iron, sanctioned by Government, for use in the Kulti foundries. This enabled an increase in the production tonnage of Spun Pipes and General Castings of some sixteen thousand tons which, again, had a marked effect on the satisfactory trading for the year under review.

PROFIT

Taking these factors into account an increase in profits of some Rs. 70,00,000 has been realised for the year. From this amount we are required, in accordance

with the terms of the Agreement entered into with Government (to which reference is made in your Directors' Report) to set aside Rs. 29,47,838 to a Special Fund to be utilised solely for the purpose of our expansion programme.

As to the future, I can only say, in view of the excellent results for the year 1955-56, that despite the many difficulties encountered your Burnpur Works have worked to full capacity and that until this capacity is augmented by the extensions now in progress, which will gradually come into operation, no appreciable increase in output can justifiably be looked for. Also, it must be remembered that it is not unlikely we may have to contend with increasing difficulties in the operation of the existing plant owing to the disorganisation caused by the expansion works in progress. I would, therefore, ask you to bear this in mind when forecasting possible results over the next year or so.

In this connection I should like to take the opportunity to pay tribute to the very efficient manner in which the task of the Planning and Co-ordination of the extensions works is being carried out by your Consulting Engineers, the International Construction Co., Ltd., and to the spirit of co-operation between them and the Works Management which has enabled all difficulties encountered to be smoothed over with the minimum of inconvenience to either side.

FINANCE

So far as the financial figures for the year under review are concerned there can, I think, be few points on which you will require further enlightenment. The Accounts as drawn up in conformity with the provisions of the new Companies Act, 1956, give even fuller particulars than the previous very full disclosure it has always been the practice of your Board to make. There is, however, one item on which I might perhaps remark. You will notice that the Accounts show the transfer of a sum of Rs. 7,00,000 to General Development Reserve. You may feel some doubt on the necessity for such transfer, having regard to the very large amounts set aside on the other extensions reserves. I would, therefore, like to explain that the sum in question represents the approximate reduction in the normal taxation liability for the year by reason of the Development Rebate allowed by Government exempting from taxation 25 per cent of the cost of the new plant and machinery installed. The consideration underlying this concession is that the saving in tax should be set aside for development purposes. We count to a large extent on the continuance of this rebate for financing both the 1953 and 1955 extensions and it is very desirable that this position should be recognised by the immediate institution of a General Development Reserve as a separate item of the reserves.

DIVIDENDS

In view of the substantial increase in the amount of profits earned your Directors had naturally wished to mark the position by some increased distribution on the Ordinary share capital. Every endeavour was accordingly made to obtain the approval of Government to

the admission of the shareholders to an increased participation in the profits, but as reported in the Board's Circular Letter of October 1, 1956, Government have found themselves again unable to agree at this stage to an increase in the rate of dividend. Though the position is disappointing to us all and is one which your Directors greatly regret, as I advised you under similar circumstances last year, the orders of Government cannot be ignored nor their legality challenged without serious detriment to the interest of the Company. It is incumbent on us, therefore, to accept the decision of Government with good grace. To the extent that profits earned are retained in the business the finance of the expansion programme and the ultimate repayment of the loans that are being incurred is facilitated. Also, we may derive such consolation, as we may, for the present restriction of dividend from the assurance that has been given by Government in their letter dated September 22, 1956. It has been stated in that letter that the mobilisation of the available resources for the completion of the expansion programme is in the long term in the interests of the shareholders "as ultimately they will have their full share of the increased profits".

1953 EXTENSIONS

You will, I trust, have a full appreciation of the progress made with the 1953 extensions programme from the descriptive booklet that has been issued as a supplement to the Report of your Directors and will have noted that the programme is scheduled to be brought to completion by the end of 1958 in two stages.

FURTHER EXTENSIONS

Particulars of the further expansion to an annual output capacity of 800,000 tons of saleable steel which at the request of Government, has been agreed to, have been given in the Board's Circular Letter of November 5, 1956. In my speech to you last year I explained that no decision as to the undertaking of this further expansion could be arrived at until the revised sales retention prices of steel, to be operative as from April 1, 1955, had been notified by Government and we had thereby been enabled to forecast with some reasonable degree of accuracy the future financial position of the Company. The revised retention prices were communicated to the Company in February, 1956, and were fixed at a satisfactory level. The further expansion

was, therefore, approved by your Board and the necessary financial negotiations for securing the finance to cover the cost put in hand. As you are aware, this programme provides mainly for an increase in the finishing mills capacity. It is scheduled for completion under normal conditions early in the second half of 1959.

The outline of the general financial arrangements in this connection, which has been shown in the Board's Circular Letter, will be placed before you for formal consideration at the Extraordinary General Meeting to be held tomorrow. I will, therefore, not comment on this occasion other than to express our great appreciation of the full understanding and sympathetic consideration that has been shown by Government in the fixation of the current sales retention prices of steel and at all stages of the subsequent negotiations even though it did not prove possible for them to see eye to eye with your Board on the question of the price at which the proposed rights offer of additional Ordinary share capital should be made.

INTERNATIONAL SITUATION

All that I have said on your immediate and future prospects and the completion of both the extension schemes must be judged in the light of the rapid developments which are taking place in the entire international sphere. No one can tell what ultimate direction these may take but it would seem that world-wide impact on almost every national activity may result which could seriously upset the implementation of all important schemes dependent upon sea transport, foreign exchange, the manufacture and delivery of imported plant and machinery together with the thousand and one other national requirements for industrial or other developments.

In conclusion I should like on your behalf to express our appreciation of the services rendered by your General Manager, Mr. J. McCracken, and by all the staff and workers whose able and willing combined efforts have made possible the very satisfactory results that have been achieved.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting, which will be sent to shareholders in due course.

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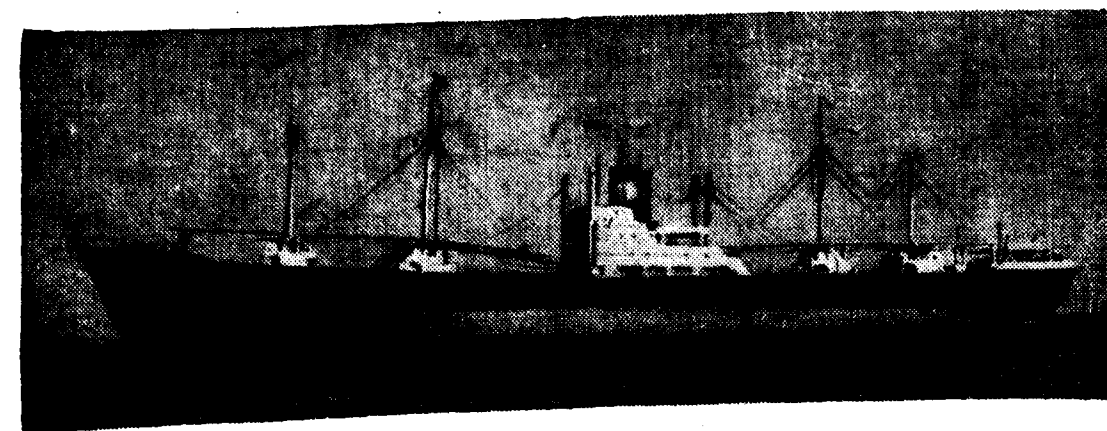
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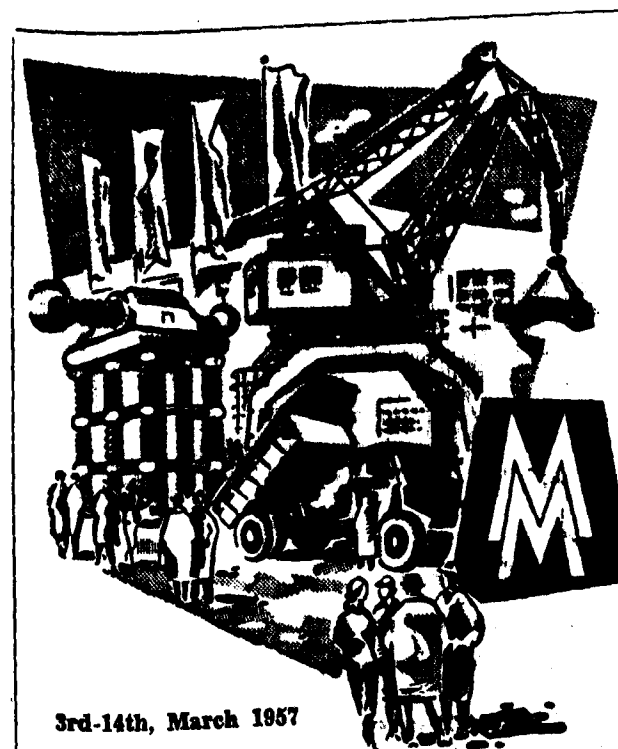
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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Materls.	Semi-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	306.1	377.5	281.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	90.4	100.6	87.3	95.0
1953-54	..	381.4	467.7	359.2	387.4	686.6	397.5	90.5	100.7	88.4	113.0
1954-55	..	339.8	436.2	350.3	377.4	612.4	377.4	90.9	100.8	87.3	121.6
1955-56	..	313.2	419.7	338.2	372.9	546.4	360.3	..	..	..	..
April	1956	380.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May	"	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.6
June	"	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July	"	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August	"	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September	"	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October	"	392.5	502.4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November	"	411.2	513.9	416.2	389.9	588.8	427.5	90.1	100.2	82.0	122.9
Week Ending											
6-10-1956	..	388.7*	504.2	404.7	390.0*	584.2	417.8	90.5	100.3	83.0	125.9
13-10-1956	..	393.7*	503.2	401.5	390.0	585.5	418.8*	90.5	100.3	82.7	125.0
20-10-1956	..	395.6	505.6	405.3*	386.5	581.9	418.7*	90.4	100.3	82.6	124.8
27-10-1956	..	391.8	497.9	408.6	386.5	589.5	417.2	90.3	100.3	82.6	123.9
3-11-1956	..	390.5	502.4	411.3	388.5	590.5	419.7	90.2	100.2	82.5	123.6
10-11-1956	..	411.1	504.0	415.9	389.6	588.8	426.4	90.2	100.2	82.3	123.1
17-11-1956	..	418.3	519.2	418.6	386.1	589.1	430.4	90.0	100.2	81.5	122.4
24-11-1956	..	421.7	529.7	419.4	386.3	586.6	433.2	89.9	100.1	81.2	122.4

* Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmeda- bad July 1937 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbul- pur†	Madras June 1936 = 100	Ludh- iana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1943	298	298	243	132	339	471	372	146	309	168	136	136
1949	292	307	246	128	346	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	168	145	145
1951	314	330	261	142	370	451	391	168	334	167	160	164
1952	321	337	250	143	351	441	380	150	330	151	153	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 December	316	332	230	140	329	393	375	143	334	148	141	135
January	318	334	236	139	319	404	378	146	334	147	138	132
February	321	337	224	137	315	394	365	142	333	146	132	133
March	334	350	230	139	325	398	387	147	342	148	142	138
1956 April	342	358	239	140	338	409	397	147	354	151	144	142
May	341	357	236	141	342	408	397	153	356	149	144	143
June	342	358	240	141	350	419	399	156	365	151	146	146
July	338	354	244	144	365	436	413	153	369	153	148	143
August	344	361	253	147	368	445	404	—	372	154	151	150
September	336	352	256	149	366	445	405	—	368	—	—	—
October	342	358	261	—	—	—	—	—	—	—	—	—

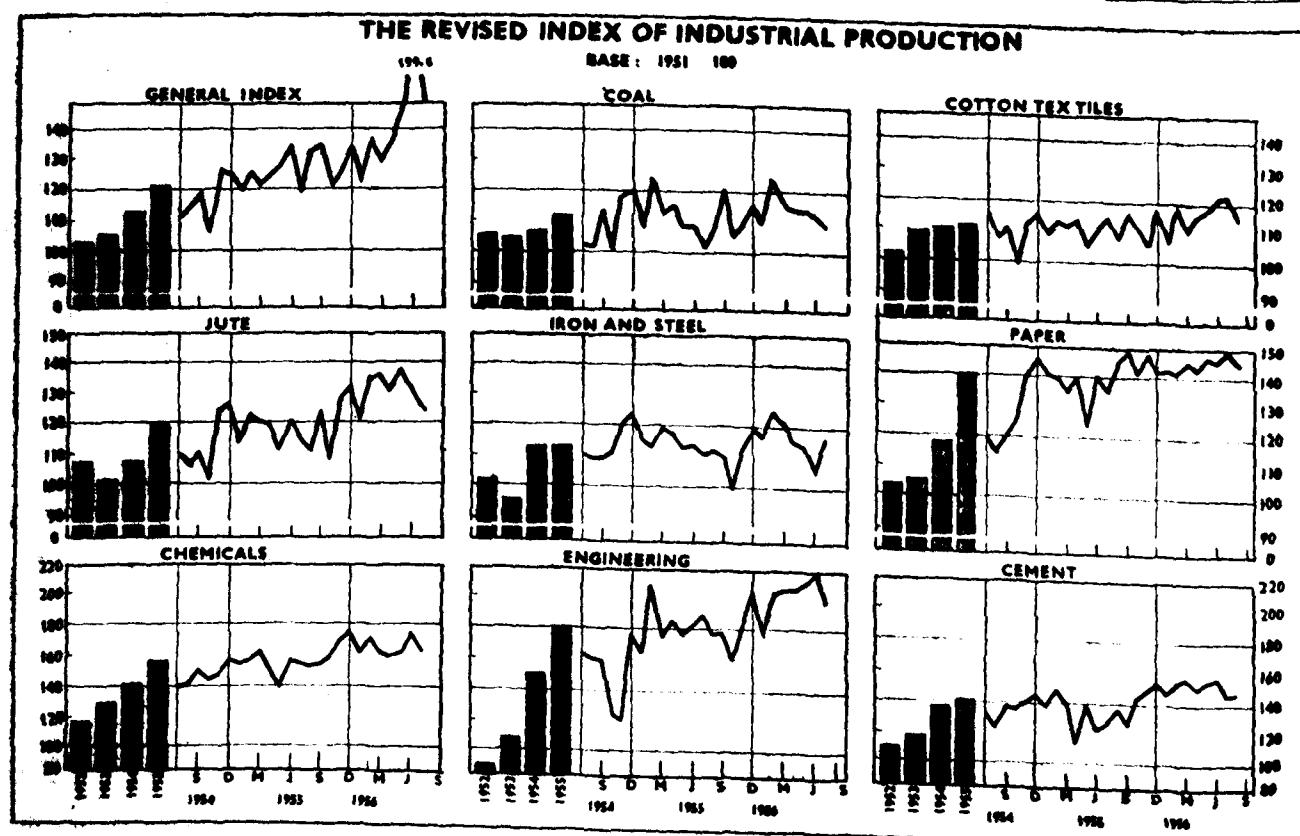
†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	8-12-1956			30-11-1956			23-11-1956			16-11-1956		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold per fine tola) ..	105-11	104-14	105-4	105-10	104-12	105-1	106-3	105-3	105-11	105-14	103-11	105-10
Silver (per 100 fine tolas)	174-7	173-5	173-12	174-11	173-8	174-0	175-15	173-13	174-9	174-14	171-13	173-8

REVISED INDEX OF INDUSTRIAL PRODUCTION (1951=100)

Year and month	General Index	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen. Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
		2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ..	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	101.2	134.0	98.6	104.8
1953 ..	105.6	101.5	103.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.5	115.8	96.7	113.1
1954 ..	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.1	127.2
1955 ..	121.9	111.4	111.3	117.3	108.4	118.9	159.0	140.4	113.3	183.3	140.2	143.0	105.2	131.5
December 1954	125.1	120.2	115.6	121.1	112.8	126.8	151.2	146.6	123.1	176.2	145.9	143.2	104.5	136.4
January 1955	119.4	108.1	109.4	114.2	107.0	113.2	155.9	138.8	116.3	165.8	141.0	125.0	134.6	133.1
February ..	126.1	123.4	112.6	119.0	109.4	122.7	156.2	148.3	113.6	211.6	139.3	111.5	142.8	139.4
March ..	121.5	113.3	111.8	114.6	110.4	120.4	161.1	140.0	119.3	175.8	134.8	138.6	98.0	139.3
April ..	124.8	114.6	112.5	116.0	110.7	119.8	152.3	115.6	117.0	187.6	138.9	230.0	88.7	142.8
May ..	126.8	108.9	103.6	110.9	103.0	110.8	139.7	138.2	112.8	177.8	124.4	380.0	99.2	141.1
June ..	133.1	109.0	110.5	116.0	107.8	120.3	156.8	125.4	113.6	184.3	140.4	395.6	108.5	148.9
July ..	119.8	101.4	115.0	120.1	112.5	115.4	155.9	128.6	111.3	190.6	134.7	64.7	122.7	145.7
August ..	131.6	107.0	107.5	114.5	104.1	111.6	154.7	137.6	112.0	179.9	146.2	412.4	104.6	141.9
September ..	134.2	119.7	115.4	121.5	112.3	123.7	154.9	129.3	110.1	178.5	149.7	349.3	106.4	148.9
October ..	121.2	105.9	110.8	118.9	106.9	107.8	159.5	144.2	100.3	160.7	142.1	210.7	103.4	144.3
November ..	125.0	109.5	105.0	114.9	100.1	128.2	120.8	151.2	113.3	182.8	147.7	213.2	170.1	150.5
December ..	132.2	116.2	119.4	126.0	116.0	132.5	174.4	155.9	119.5	205.3	142.3	160.0	108.4	157.5
January 1956	122.9	110.0	107.7	112.4	105.4	121.2	164.3	148.2	113.0	179.3	142.9	133.2	115.2	152.3
February ..	131.2	123.5	118.9	123.3	116.7	135.2	173.0	155.7	122.1	204.0	141.7	127.2	122.8	161.2
March ..	128.6	115.7	111.0	115.2	108.3	135.6	163.9	159.1	116.1	206.5	144.9	151.3	97.0	160.9
April ..	134.7	114.6	115.2	119.6	113.5	132.3	165.2	150.8	116.2	206.3	143.4	294.3	84.0	162.3
May ..	151.0	114.1	118.6	118.1	118.8	138.6	162.0	154.4	109.2	212.7	147.4	601.3	111.4	166.1
June ..	199.6	113.6	121.7	123.7	120.7	139.7	173.0	158.4	105.6	220.1	145.5	1,164.4	115.8	105.5
July ..	151.4	108.9	122.3	126.2	120.3	129.4	164.8	146.1	116.9	195.5	149.9	590.2	121.8	160.5
August ..	..	..	114.9	120.7	112.0	123.7	..	146.3	..	..	145.5	198.4	115.0	..



* General Engineering including Electrical Engineering. Source: Directorate of Industrial Statistics, Calcutta.

AGRICULTURE IN REORGANISED STATES

Land Utilisation									
(1953-54)									
('000 Ares)									
States Union territories	Total reporting area			Classification of reporting area			Net area sown	Net area irrigated	
				Forest	Area not available for cultivation	Other un-cultivable land ex fallow lands	Fallow Lands		
STATES									
Andhra Pradesh	66,138	12,302	11,916	7,695	6,953	27,272	6,585		
Assam	35,764	15,797	10,092	3,658	1,136	5,081	1,374		
Bihar	42,441	8,841	5,515	2,881	5,972	19,232	4,197		
Bombay	120,619	15,629	20,368	10,676	7,912	66,032	8,433		
Kerala	9,372	2,460	1,042	1,027	512	4,231	8,010		
Madhya Pradesh	107,130	33,617	11,441	18,068	6,464	37,540	2,657		
Madras	31,967	4,757	5,488	3,812	3,876	14,034	5,239		
Mysore	45,925	6,413	4,395	6,779	3,960	24,378	1,623		
Orissa	38,401	10,125	5,329	6,164	2,667	14,116	1,739		
Punjab	30,290	831	7,736	2,615	2,214	16,894	7,479		
Rajasthan	84,591	3,260	18,392	22,217	14,032	26,690	2,876		
Uttar Pradesh	72,511	8,479	11,116	8,208	3,749	40,959	12,587		
West Bengal	22,195	2,088	3,769	1,914	1,177	13,247	2,855		
Jammu & Kashmir	5,902	1,380	1,695	721	425	1,681	640		
TOTAL	713,246	125,979	118,294	96,437	61,049	311,487	53,513		
UNION TERRITORIES									
Delhi	366	—	79	46	14	827	28		
Nimachail Pradesh	2,303	400	160	1,018	58	667	28		
Manipur	346	37	..	96	10	203	..		
Tripura	2,634	1,574	65	472	61	462	..		
Andaman & Nicobar Islands	78	34	16	15	1	112	..		
Laccadive, Minicoy & Amindive Islands	..	..	..	..	..	..	..		
TOTAL	5,727	2,045	320	1,647	144	1,571	161		
TOTAL INDIA	718,973	128,024	118,614	98,084	61,193	313,058	53,674		

Source: Ministry of Food and Agriculture

Company Meeting

The Federation of Electricity Undertakings of India

Speech of Mr. K. G. Milne, President of The Federation of Electricity Undertakings of India, at the Company's Twelfth Ordinary General Meeting on 12th December, 1956.

Gentlemen,

Once more it is my privilege to welcome you to the Annual General Meeting of this Federation and to thank particularly those who have come here from afar.

The thought uppermost in all our minds today is the progress which is being made in Parliament at this time with amendments to the Electricity (Supply) Act, 1948. Now at last the fruit which has been growing for the last six years upon the legislative tree appears ready to be picked. We have tended it through all this time with anxious care. Many journeys have been undertaken and many have been the letters and discussions between us and Government representatives as to what should be done for the best. Investors too will be eagerly watching to see whether, in the midst of their sore preoccupation with new and crushing loads of general taxation, they may yet once again find some solace here with us.

By and large investors have not much liked the look of us during the last few years and have progressively been diverting their attention in other directions. Investors were worried lest Government might finally decide towards the general nationalisation of the Electric Supply Industry, or that they might re-enact terms of compensation upon acquisition which might be of a confiscatory nature. They have been worried too that the maximum rate of return allowed to our Industry was incommensurate with the risks involved and the opportunities afforded for investment in other counters. There had furthermore been signs of undue interference by State Governments and by Electricity Boards, with the day to day working of Undertakings, and in particular with their rate making policies.

What therefore can I tell you, and investors, about the ripe legislative fruit which is about to be picked? Is it fair and luscious and such that investors may be encouraged to come forward once again to enable our Industry to maintain its rightful place at the base of all advancement of the living standards of the people? Or is it corrupt and maggoty and an object of despair?

From all I am able to gather—and a great deal has actually been happening during the last week—I am glad to be able to tell you that I believe the Electricity (Supply) Amendment Bill, 1956 as it emerges from Parliament in the next few days is likely to meet most of the points which our Federation had desired. It is true that the new Standard Rate of permissible return which is proposed to be granted cannot be regarded as a matter of any great excitement. On the other hand a return, after allowing for taxation, of 5½ per cent upon the Capital Base of an Electric Supply Undertaking is not in my opinion a return which should be lightly regarded, or cast aside as completely unworthy. While it will be for the various undertakings within our membership to apply the new formula to their own financial structures in each case, I am under the impression that even allowing for the fact that certain previously available advantages under the law are

being withdrawn, the final return to investors is likely to be somewhat improved under the new dispensation.

Besides the return to the Electric Supply Industry will now be linked with the Reserve Bank Rate. True this is not a very scientific basis for calculating the return upon an Industrial investment, but at least I for one do not at present foresee any great likelihood of the Reserve Bank Rate being reduced, and even if it were so the reduction must then affect the value of all other investments equally. Contrariwise, it is not every Industry which will be in a position, should the Bank Rate be raised, to follow it upwards with an enlarged return as will be the case with the Electric Supply Industry in the future. This is an element of the new situation which investors would I think do well to consider carefully.

The amended Act will, as I understand it, provide also for our Industry to retain the tax savings resulting from the Development Rebate given by the Taxation Authorities as a concession to assist Companies to expand their business. Previously in the case of this Industry these tax savings were misaccruing to consumers. The new provision will not enable Electricity concerns to earn any more upon their investors' money, apart from ¼ of one per cent as a sort of handling fee on the amount of the resulting Development Reserve, nor will the Development Reserve itself be permitted to add to the ultimate property of the investor. Nevertheless it should help the Industry in some measure in its task of raising the additional Rs. 70 or Rs. 80 crores which it will require to complete its programme during the second Five-Year Plan.

Here I must mention a maggot which I understand has just fallen out of our allegoric fruit, but which unfortunately will take with it a part of the fruit itself. I refer in fact to a permission to create a Deferred Taxation reserve. I am not going into all the details here as to why a Deferred Taxation reserve was necessary in the case of our Industry; I have been into it in almost every speech I have made bearing upon this Industry's affairs for years. The point I am going to make here is that the Government were finally favourably disposed towards allowing the Industry to do something about bringing this Reserve into being, but as the proposed permissive clause emerged from Select Committee it was in a form which could have done tremendous harm to units of our Industry. It was pointed out to Government that in our opinion the clause needed considerable redrafting to attain the precise objects in view. Since however time did not permit a full and proper consideration of the various points involved before the Lok Sabha came to vote on the Bill, it has been proposed to drop the clause. This however does not mean to say that the Government will not be prepared ever to reopen the question. Indeed I am advised that Government will be only too willing to make sure that justice is ultimately done in this.....matter.

In the context of investors' fears about general nationalisation of this Industry or confiscatory terms of

December 14, 1956.

acquisition, it appears evident to me that the Central Government has now no such intentions. The whole scheme of the Electricity (Supply) Act is directed towards harmonious co-existence of Electric Supply Undertakings owned by the State and operated by Electricity Boards on the one hand, and Electric Supply Undertakings owned and operated by constituents of this Federation on the other. Indeed the reports are that the Central Government has been much distressed at the attitude of certain States of the Union who are unwilling to set up Electricity Boards to co-ordinate electrical development in their areas and who have spoken instead of local measures of nationalisation. It is, I firmly believe, the policy of the Centre to discourage such tendencies and to insist, with the fullest support of all constituents of this Federation, upon the desirability of setting up State Electricity Boards in all the States of the Union so as fully to implement the policy for which the Electricity (Supply) Act was enacted. This policy is declared to be rationalisation, and certainly did not and does not include nationalisation.

The Central Government has made no attempt, nor do I believe it intends to make any attempt, to alter the general terms for acquisition of Electric Supply Undertakings, which remain as they were set out in the Electricity Act, 1910; namely fair market value of assets at the time of expiration of the relevant Licenses.

A matter of particular alarm to investors during the last year was an attempt made by some State Governments to declare that dividends should be limited to 3 per cent in certain circumstances, except with the State's sanction. I am glad to be able to say that the new amendments are taking care of this, and should make it quite clear, in case there was ever any real doubt, that State Governments have no powers to interfere with dividends.

I will only touch on one other amendment, also of major importance. This will ensure that State Governments, or Electricity Boards as the case may be, will in future have no powers to impose Rating Committees on Electricity Undertakings unless there has first been established a breach of the Electricity (Supply) Act regulations in regard to their financial obligations. Furthermore, if there is any dispute about whether or not there has been such a breach it must be referred to arbitration of the Authority before any Rating Committee can function. This amendment will do away with one of the greatest obstructions to financial viability in the case of Electrical Undertakings whose position required increases in rates. Now such Undertakings are to be enabled to increase their rates in accordance with law and without any improper interference. Of course, if it is afterwards shown that they acted incorrectly, restitution will naturally have to be made to consumers, but that is very unlikely to happen.

Taken all in all I, therefore, think we may say that we are pleased with the outcome of our six years' effort; hard and worrying as this has been. We will, of course, not relinquish our endeavours to obtain a finally fair settlement in regard to the major outstanding point of Deferred Taxation, but meantime I am hopeful that the principal law governing the well-being of the Electric Supply Industry may be said to have been cleared of its major obstacles.

Of course only the investors themselves can tell us, and the Government of India, whether the return

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which the amended law is now proposing to give will be sufficient to attract their money. If it is not, then it will inevitably mean that the Government of India must think again; for our Industry can under no circumstances allowed to stagnate if the country is to continue go forward.

I fear that a great deal too much emphasis is being placed upon taxation for the sake of financing the Public Sector. Probably few will be prepared to accept what I say. We are accustomed now to being unheard in such matters. I will only suggest with the remote hope that there may be those who are willing to agree, that we would do well to watch with great heed the rate of growth of demand for electricity in the country. This figure of demand for electricity is the index of progress here as elsewhere. It costs on the average between Rs. 4,000 and Rs. 10,000 invested in other plant and productive machinery to make use of 1 Kilowatt (just over 1 Horse Power) of electrical power. If all the people who have been planning to use their money in development are still able to do so, then the demand for electricity will continue to grow. But if this money is diverted into the pockets of the State to too great an extent, the rising curve for demand for electricity must begin to fall. I pray that the country's plans may be so laid as to avoid so painful a reversal of trend, and its disastrous implications for the future of the people.

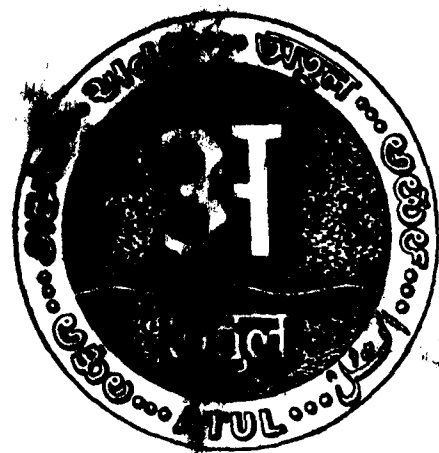
Before I conclude I must refer briefly to a few other matters of individual moment. The Bombay High Court has ruled, in suits before it during the year, that the levy of "additional income-tax" on dividends was ultra vires, and the cases have been appealed to the Supreme Court. Meantime there has not been any further progress in determining the legality of denial of dividend gross-up for tax relief purposes where a company has no income-tax profit; and thus there continues this satanic reward to those who have done their duty to their countrymen by expanding fastest! To these problems, both stemming from the different depreciation allowances of the Electricity (Supply) Act and of the Income-Tax Act, there may now be added another in the latest requirement that the tax allowances be deposited with Government before they can be used for capital purposes. Constituents of the Federation not being allowed by their Act even to earn all the tax allowances, and having in any event to invest such depreciation allowances they do get as soon as they are earned, are thus in danger of again being caught, as it were, between God and Mammon. Which Act one may associate with God and which with Mammon in this context may perhaps best be left to the imagination! The Federation has of course strongly represented the special position of this Industry to the Finance Ministry, and hopes for responsive action.

This Industry is dependent upon a large volume of consumer goodwill; perhaps more than any other industry, and towards this end the Federation has given great attention and will continue to do so. Apart from our Industry's own problems such as regulation and control we must, for the good of the country, make it electricity conscious and so that the benefits of this civilizing influence will enlarge as years go by.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting which will be sent separately to Members.

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Bilingual Bombay

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The Only Solution

PARLIAMENT'S decision on the formation of bigger bilingual Bombay State represents the only comprehensive solution to what had proved for the last ten months a most intractable problem. It must now be treated as a permanent solution. This character of finality which the decision assumes cannot be considered by any stretch of reasoning to be the result of an attempt to impose an arbitrary formula in disregard of the wishes and interests of the people of Maharashtra and Gujarat. This is a supremely democratic decision reached by a National Parliament, representing the people of the whole of India. In this case the whole has proved itself not only greater than the part, but more wise. It is good that wisdom has spread from the whole to the parts.

The situation which developed was far worse than one of simple drift. Pandit Pant made a disclosure, after the amending Clause in the Bill on bigger bilingual Bombay was adopted by the Lok Sabha, that "we were gradually approaching a state of emergency". It was at such a dark hour and at such a critical stage that Parliament of its own motion stepped forward, took control of the situation, asserted its sovereignty and evolved this solution. It is every inch a national decision which fully reflects the corporate mind and nimity with which it has been adopted, transcending barriers of party affiliations, unmistakably shows that it is indisputably in the highest interests of the two regions vitally affected by it. In the order of preferences, a bigger bilingual Bombay State was the final choice of both the Maharashtra Pradesh Congress Committee and the Gujarat Pradesh Congress Committee. That final choice, which represents the farthest limit of a compromise acceptable to all groups of interests, has received Parliament's blessings in the ultimate resort.

This question of redistribution of State territories is of small dimensions in the national perspective. It cannot be allowed to hold back the progress of smooth and efficient administration and of energetic implementation of the second Five-Year Plan in suspense. Obviously, there had to be finality to it and it is the nation's good luck that a solution to this end has been devised at long last after an acute and extended period of crisis. There is no alternative to it—an alternative which would provide a modus vivendi commanding the approbation of the nation as a whole as also of Maharashtra and Gujarat individually. It is the duty of every citizen, particularly in these two premier regions of India, irrespective of linguistic or any other affiliations, to accept it as a permanent and abiding solution. A still greater duty is cast on every citizen in the new State to work the arrangement with a conviction and in a spirit that this is a genuine final arrangement.

Will that conviction, that spirit, flow forth in an absolute measure? It is a condition precedent to the successful working of the bigger bilingual Bombay State that this spirit must be shown without any mental reservations. Unfortunately, ominous shadows have begun to make their appearance disclosing the existence of a hard core of mental reservations with which the formula for a larger composite State of Bombay is being accepted. Prof. D. R. Gadgil has lost no time in coming out with a statement elaborating what he considers to be the real implications of a bilingual State. His views cannot be lightly brushed aside as expressions of opinions at a personal level. They are much more than that. He has taken a leading part in organising and representing before the States Reorganisation Commission the demand for United Maharashtra with Bombay City as Capital. It will, therefore, be logical to interpret them as bearing a representative character.

The gist of Prof. Gadgil's theory of a "strictly bilingual" State of Bombay is to treat it as consisting of two major regional divisions, namely, Maharashtra and Gujarat, with Bombay City area forming a third regional unit. This process of regionalisation has been carried a step further. Within the two first major regions, he asserts, there must be formed appropriate regional units. The broad purpose of this regional division would be to ensure that linguistic uniformity is maintained at all levels of administration and education. Another purpose is to secure, what he would consider, equitable allocation of development expenditure and of development projects. It is significant that he is completely silent about the linguistic aspect of education in Bombay City area. He has made confusion worse confounded by gratuitously introducing the controversial issue of English or Hindi to be retained or introduced in the State on the ground that this is a bilingual State.

At this critical pre-natal period of the bigger bilingual State, and even until the teething period is tided over, all energies, resources and efforts need to be concentrated on creating an atmosphere of conciliation. This is possible if, and only if, every nerve is strained to remove the slightest ground for suspicion and mistrust. Prof. Gadgil's statement serves to consummate precisely the opposite object. The logic behind regionalism which he has advanced is not new. It has been carefully and minutely scrutinized by the States Reorganisation Commission. The proposed arrangement of three-fold regional division is not different in essence from the general structure of the Akola and Nagpur agreements concluded between the leaders of Maharashtra and Vidarbha. On the very face of them, they betrayed their unworkability. A composite, cohesive and homogeneous State cannot endure on the basis of a loose federal formula containing the seeds of disruption and ultimate secession. The States Reorganisation Commission rightly rejected out of hand the validity of the reasoning behind it.

It is true that the Maharashtra Pradesh Congress Committee has unreservedly endorsed the decision on the formation of a bigger bilingual Bombay State. This decision must now be explained in its fuller implications to the people of Maharashtra by the Committee. Something more than that is undoubtedly due from Maharashtra. The type of fissiparous tendencies, implicit in the statement referred heretofore, must be

openly and unequivocally disclaimed by the MPCC in its propaganda for educating public opinion. This is a matter of serious national importance. If the decision on larger composite Bombay State is to be worked from the very start as an irrevocable decision, any consciousness of regional personality must be merged in the larger and ultimate national personality. Maharashtra would constitute a majority of 52 per cent in the total population of the new Bombay State. In the context of the tragic developments in which Bombay State was engulfed since the publication of the Report of the States Reorganisation Commission, it is inescapable that Gujaratis should entertain genuine psychological fears which any minority placed in a similar situation would entertain. By contrast, Gujarat's studied refusal to countenance any proposal for asking for regional safeguards clearly indicates that the national decision will be worked in a spirit of sincere determination to make it a real success. Mr. Morarji Desai, who has stood a personal ordeal uttered a great truth when he said that confidence in oneself provides the only abiding safeguard. It cannot be over-emphasized that as a majority partner in the new State a moral obligation is placed on Maharashtra not only to scotch any centrifugal tendencies but to work earnestly for reconciliation as expeditiously as possible.

The bigger bilingual State of Bombay emerges not only as the biggest State in area but also as the biggest State in economic resources and therefore in potentialities of future development. After the costly experience of the reorganisation of States predominantly on a linguistic basis, much heart-searching is taking place and linguism is losing ground. Opinion is steadily but definitely veering round to the advisability of forming bigger States. This is a great experiment, the success of which hangs on Bilingual Bombay.

This Blue Supplement has ventured to make an assessment, on the basis of such data as could be collected at a non-official level, of the economic resources of the biggest new unit. Some of the data are imperfect; at least it can be claimed that it is timely. If more time had been available, the task could have been done better. But then it would have lost its fourth dimension which is speed. It is in the hope that the country needs a quick appraisal that this Supplement has been sent forth in spite of its shortcomings.

Economic Impact of Reorganisation

NOW that Parliament has finally approved of the bigger bilingual Bombay proposal, it would be interesting to speculate on what the reorganised new State of Bombay would be like. According to the S.R. Bill as amended and passed, the proposed bilingual State of Bombay would include, besides the present State of Bombay minus the Karnatak districts and a small territory that would go to Rajasthan, the Saurashtra State, the Kutch State, the Gujarati-speaking areas of the present State of Bombay and the Marathi-speaking areas of the present States of Hyderabad, and Madhya Pradesh. The percentage of the Marathi-speaking people in the bigger bilingual Bombay State would amount to 52.3, while that of the Gujarati-speaking people would slightly increase to about 34 per cent, the other linguistic minorities constituting about 14 per cent. The area of the enlarged unit would be 188,240 sq. miles, including 36,880 sq. miles of Vidarbha, and the total population would be 47.8 million, including the 7.6 million of Vidarbha.

Consequent on reorganisation, the share of various Central taxes that would devolve to the new State (for the second half of this year) has been esti-

mated at 13.76 per cent of the central excise duties and 19.10 per cent of income-tax receipts.

ECONOMIC VIABILITY

The economic resources of the new State are bound to be considerable. For one thing, the State would gain in some degree by the inclusion of the important coal and manganese-producing areas of the present Madhya Pradesh. Secondly, all complications that might have arisen, had there been a separate Maharashtra and a separate Gujarat, in regard to power supply, such as the necessity to obtain dual licences for electricity companies like the Tatas, one in the area of production and another in the area of distribution, have fortunately been eliminated. Also, the total power potential of the new State would be higher, thanks to the inclusion of some important units such as those at Sica (Jamnagar), Bhavnagar and others. It is no wonder, therefore, that in welcoming the decision for a bilingual Bombay State, Mr. Morarji Desai, stressed the economic viability of the new State. It is significant too that he particularly pointed out to the Gujaratis that, had a separate Gujarat State been

formed, it would have been one of the smallest in the Indian Union and would have been obliged to upgrade its taxation by as much as 40 to 50 per cent! Mr. Desai quoted statistics of revenue and expenditure for the years 1952-53 to 1955-56 of the different regions to point out that, by itself, neither Gujarat nor Maharashtra could be self-sufficient economically for a long time. Thus, in 1952-53, according to him, Gujarat had a deficit of Rs. 2.5 crores, while Maharashtra had a deficit of Rs. 6 crores, the corresponding deficits for 1955-56 being Rs. 3.75 crores and Rs. 9 crores, respectively. Besides, said Mr. Desai, a separate Gujarat State might have had to reckon with the discontinuance of the Central financial aid consequent on the merger of Saurashtra and Kutch after three years. There was also the question of standardisation of salaries of State officials and other employees, which, he said, would absorb a further large share of the new State's finances.

A NEW PROBLEM OF INTEGRATION AND CO-ORDINATION

As a result of the proposed bilingual Bombay State, certain institutions, such as the Industrial Financial Corporation, and the State Road Transport Corporation, would be affected. For instance, there would be one Financial Corporation for both Bombay and Saurashtra, while a part of the present paid-up share capital of the Bombay State Financial Corporation and the Saurashtra Financial Corporation would have to go to Mysore and Rajasthan. Similarly, the State Road Transport Corporation would have to be dissolved (by October 1, 1957) followed by the distribution of its assets and liabilities between Karnatak and the bigger bilingual Bombay.

Some commercial organisations, it would seem, are likely to be affected in some way. As a matter of fact, speaking at the last quarterly meeting of the Indian Merchants' Chamber, the Vice-President, Mr. Naval H. Tata, said: "while we may continue to take a leading part in all-India commercial and economic activities, it is necessary for us to revitalise our structural and organisational set-up so as to enable us to play an important and valuable role in the enlarged Bombay State. In order to enable the Chamber to serve about a entire area, it would be necessary to bring about a greater fusion among the commercial organisations functioning in this sphere. A scheme of co-ordination and integration of efforts of the various commercial

and industrial organisations functioning in the different parts of the area comprising the projected Bombay State will have to be evolved. The Chamber will have to address itself to this task immediately after the inauguration of the revised set-up".

A NATIONAL GAIN

Consequent on the acceptance of the bigger bilingual Bombay State, there would necessarily be changes in the composition of the new State legislature, as well as in the State's representation in Parliament. The new Legislative Assembly of the State would thus have 396 members, while the strength of its Council would be 72. In Parliament again, Bombay's representation would increase to the second largest block of members next only to that of Uttar Pradesh. It would have 27 members in the Rajya Sabha and 66 members in the Lok Sabha, as compared to Uttar Pradesh's representation of 31 in the Rajya Sabha and 86 in the Lok Sabha. The new Legislative Council for Bombay will, of course, have to await its constitution, from a date to be specified, by the President. Meanwhile, it would consist of the existing members minus those representing local authorities and constituencies of Belgaum, Bijapur, Dharwar and Karwar and the 25 members who have to be elected from the territories of Vidarbha, Marathwada, Saurashtra and Kutch.

Whatever be the losses or gains to the new State, a point to remember is the beneficiary or the loser in either case is but another part of the country, and to those who look at the problem from a purely national point of view, these should not matter in the least. Similarly, whether the population of the new State consists largely or overwhelmingly of any one particular community should not matter. It is equally immaterial whether this community or that is economically the more alert or active. In short, as all our national leaders have rightly stressed, no community stands to lose and all communities have a lot to gain by the bigger bilingual Bombay State. It is high time, therefore, that all fears and apprehensions are cast aside and earnest efforts made to secure the goodwill, support and co-operation of all sections of the population to prove to the rest of the country that the bilingual or even the multi-lingual concept is the only answer to petty parochialism and narrow outlook such as has unfortunately been developing lately.

The Formation of Bilingual Bombay State

By

MR. SHANTILAL SHAH

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THE background of the pressure of the demand for the formation of States on a linguistic basis ought to be stated at the outset. A persistent demand for separation of Andhra had been made for several years and the Telugu speaking areas of Madras desired to separate. They had made a pact known as the Bagh pact in anticipation of separation of Madras. The separation of Andhra gave hopes and encouragement to those who, for various reasons, were in favour of the linguistic provinces. In Western India a demand existed for the separation of Karnatak districts from Bombay and their merger with other Kannada speaking areas. A similar demand, though not so insistent, was being made for a unilingual state of Maharashtra.

A non-official resolution came up for discussion in Parliament and on December 22, 1953, the Prime Minister stated in the Parliament that a Commission

would be appointed to examine "objectively and dispassionately" the question of the re-organisation of the States of the Indian Union "so that the welfare of the people of each constituent unit as well as the nation as a whole is promoted."

CRITERIA FOR REORGANISATION

The emphasis was on the welfare of each constituent unit and the nation as a whole. On December 29, 1953, the States Reorganisation Commission was appointed. In the preamble to the resolution it was pointed out that the States as they existed were largely the result of the historical processes and the spread and consolidation of the British power in India. After referring to the merger of Indian States, it was pointed out that the pattern of States was a result of historical accidents and circumstances and there had developed

political, administrative and cultural associations within and between them. The resolution refers to the growing importance of the great regional languages and the demand for formation of States on linguistic basis. It was stated that language and culture have an undoubted importance but there are other important factors. It said "the first essential consideration is the preservation and strengthening of the units and the security of India. The financial, economic and administrative considerations are almost equally important not only from the point of view of each State but for the whole nation. India has embarked upon a great ordered plan for her economic, cultural and moral progress. Changes which interfere with the successful prosecution of such national plan would be harmful to the national interest". The Commission was asked "to investigate the conditions of the problem, the historical background, the existing situation and the bearing of all important and relevant factors thereon."

In spite of this clear statement the appointment of the Commission let loose forces which can hardly be described as being conducive to the objective stated above. The idea gained ground and even now persists that it was a Linguistic Provinces Commission.

A crop of demands arose and many took it that politically sovereign independent States were to be established within India and the Union Government had to exist only constitutionally and in theory only. Those who made these demands asserted that language was the overriding consideration and that all other factors must give way. The warning of the Dhar Commission about the linguistic poison came true.

Looking back it would appear and the belief is widely entertained that it was not wise to appoint such a Commission. The forces which it let loose have undoubtedly been fissiparous and have created bitterness which would take long to remove.

CONSULTATION—TOO MUCH OF DEMOCRACY

After the recommendations of the Commission were published, the Indian National Congress and the Central Government acted in a manner which has been admitted as being dilatory and over-democratic. One wishes that it had been firmly declared that the recommendations of the Commission will be accepted, subject only to agreed variations. The protagonists of the linguistic State of Samyukta Maharashtra immediately protested against the suggested bilingual State and insisted on their demand of Samyukta Maharashtra with Bombay.

The Congress Working Committee displayed vacillation and wobbled in coming to a decision. The Working Committee placed itself in a position where it went on making offers only to be rejected by the Maharashtra Pradesh Congress Committee and nobody could say what the ultimate decision would be. Disruptive forces thus came into play. There were riots in various parts of the country but the greatest issue was that of the future of Bombay State and of Vidarbha. Barring some border disputes there was no serious opposition to the separation of the Karnatak area. Bombay City, however, was the prize and became the golden apple of discord.

The preferences of Gujarat in descending order of choice appeared to be (1) a bilingual State as proposed by the Commission, (2) the three States, viz. Gujarat, Bombay City and Maharashtra including Vidarbha and (3) a bigger bilingual State. The choice of the Maharashtra in the descending order would seem to be (1) Samyukta Maharashtra inclusive of Bombay and (2) bigger bilingual State. It will be observed from the orders of preference of Gujarat and

Maharashtra that while their first preferences differed widely, their ultimate preferences coincided. In all this turmoil, the City of Bombay, politically conscious and economically most important, seemed to have but little say. It was originally proposed to be made into a State and later into a Centrally administered area, whose future was to be decided after five years. It was promised that the wishes of the people would be ascertained in a democratic manner but how, was never clearly stated.

THE LAST-MINUTE DECISION

It was in this background that the States Reorganisation Bill came for discussion in Parliament. The clauses relating to boundaries of the proposed new States had been fully discussed. When a member of Parliament Shri Anthony moved an amendment proposing the bigger bilingual State, several leading members, irrespective of their political affiliations, strongly supported the proposal. Then an unusual thing happened. Breaking all party barriers, more than 180 members of Parliament sent to the Prime Minister a memorandum supporting the bigger bilingual State. Gujarat and Maharashtra members and members of the Central Government kept aloof. Only the Communist Party had a consistent policy, viz., Maharashtra inclusive of Bombay and Gujarat by itself. They did not join.

It was unanimously agreed that Bombay cannot form part of a unilingual State. The Indian National Congress at its session at Amritsar had expressed itself in favour of big and multi-lingual States. The Working Committee met in the beginning of August. The Chief Ministers of Bombay and Saurashtra were in Delhi, the Maharashtra Ministers of Bombay were called. The members of Parliament from Gujarat and Maharashtra were separately sounded. The Cabinet discussed the issue. The Congress Party met and on August 8 it was proclaimed that a bigger bilingual State was coming. The procedural formalities remained to be gone through. This led to violent reactions in Gujarat, particularly in Ahmedabad and curiously enough, capitalist, Communist and communalist interests combined.

RESOURCES OF THE NEW STATE

The bigger Bombay State will have two major ports, Bombay and Kandala. It has lost the forest wealth and manganese of Karnatak but has gained forest wealth, coal and manganese mines and oilseeds and cereals of Berar and Nagpur. With Berar and Marathwada it will command more than half of the cotton grown in the country. With these natural resources, industrial raw materials, developed industries, irrigation and hydro-electric projects it will be richer than the existing Bombay State. Nagpur has the capacity to be an international air port for the whole country with internal feeder lines. If only the citizens of new State act with one mind, it has immense potentialities of becoming the first State in India.

It will have an area of 1,88,240 sq. miles and a population of 470 lakhs. It will have 52.3 per cent of Marathi speaking population and 47.7 of other languages. Its representation in the Central Parliament and in the Councils of the Indian Government will be larger and let us hope more influential. Economically it will have a budget exceeding Rs. 100 crores that of any other State Government. My only doubt is about its ability to maintain the tradition of efficient and impartial administration. Its Ministers and Officers will have to put in hard and devoted work to maintain the high traditions. Gujarat seems to be afraid of being in a minority. In the past, too, it has always been in minority and yet it has not been possible either

for Gujarat or Maharashtra to say that injustice has been done either in services or in economic development. All the budgets after 1947 have been unanimous and even the second Five-Year Plan which was formulated and finalised during the period coinciding with the turmoil following the SRC has been unanimous. A regional break up of the second Five-Year Plan revealed that neither Gujarat nor Maharashtra had received less than it should on a population basis. In fact they have received a little more.

PROBLEM OF DEFICIT NOW TIDED OVER

This was possible because of the heavy surplus of Bombay City estimated at Rs. 12 crores. As the Commission rightly observed it is difficult to devise in practice satisfactory arrangements for the routing of Greater Bombay's surplus to the deficit areas of Gujarat and Maharashtra. The pay scales in both the new States would have to be rationalised between the various areas coming together and the tendency would be to accept the higher of the two scales which would have added to the burden of the States. As observed by the Chief Minister of Bombay at the meeting of the Gujarat Pradesh Congress Committee, in 1952-53 the Gujarat had deficit of 2.5 crores, Maharashtra of 6 crores and Karnatak of 2.75 crores. In 1955-56 Gujarat deficit was 3.75 crores, that of Maharashtra 9 crores, and of Karnatak 3.5 crores. The financial aid which Saurashtra and Kutch received from the Centre would cease in 1961 and the burden would fall on a smaller Gujarat State without a share in the income of Bombay City available to it. The proposed Gujarat State

would, therefore, be deficit to the extent of 5 to 6 crores and its taxation would have to be substantially increased.

In fact the SRC report records that in view of the anticipated deficit they would view with concern the separation of Greater Bombay from either Gujarat or Maharashtra. They have recorded that an influential section amongst the Gujaratis would prefer to stay in a composite State even after the separation of Karnatak districts. They have further recorded that they had received a categorical assurance from the Gujarat Pradesh Congress Committee that important elements from amongst the Gujarati speaking people would be prepared to live and work together in one State in the larger national interest and in the City of Bombay to which they are greatly attached.

CONFIDENT HOPE

The City has been built up with the endeavour of foreigners who are no longer in power, Gujaratis and Maharashtrians and also of persons coming from other parts of the country. If these two predominant groups and others will work together in a spirit of harmony and co-operation as in the past the City has a promising future indeed. I have no fear therefore that with the cooling down on the emotional shock in Gujarat the adaptability of its temperament when the present bitterness and separatism have passed, the City and the bigger bilingual Bombay State will be able to maintain their predominant position in all spheres.

Agriculture

ONE outstanding effect of the reorganisation of Bombay State into a bigger bilingual unit has been to strengthen, in some measure, the resources of the State in agriculture. This improvement will occur in respect of every single category of crops — kharif and rabi cereals, pulses and commercial crops. The present State of Bombay always suffered the serious handicap of inadequacy of production of crops for its normal requirements. This situation is going to be improved after November next in absolute terms of output. In this analysis of the changed position of the State, the statistical position for the year 1951-52 has been selected for comparisons. The relevant tables appear in the statistical section of this Supplement. A more recent picture could not be obtained in view of the fact that the estimates had to take account of the position of crops at the district level in the case of the four Kanarese districts, Vidarbha and Marathwada. The latest figures officially available on this basis are those for the year 1951-52. This year was a poor year for crops except sugarcane. In the first Plan period, 1953-54 was the year of peak production for food grains and 1954-55 for cotton and oilseeds. If these production trends are taken into account, it would be clear that the assessment of the bigger composite Bombay State's agricultural resources would err on the conservative side.

THE KANARESE DISTRICTS IN THE PICTURE

An assessment of the new Bombay State's position in agriculture cannot ignore the noticeable impact of the loss of resources consequent on the transfer of the four Kanarese districts to Mysore State. In another article on Industry in this Supplement, it has been stressed that this transfer will not produce mentionable repercussions on the industrial resources of reorganised Bombay. The reverse is true of the effects on agriculture, although it is common knowledge that

particularly Vidarbha and Marthwada, and in a number of cases Saurashtra also, have more than cancelled out the loss of resources implicit in the transfer of the Kanarese region.

A brief survey of the contribution of the four Kanarese districts to Bombay's agriculture, and after the reorganised States are brought into being, to Mysore State, is worth noting. The four districts accounting for one-sixth of the area under rice cultivation in the present Bombay State produced a little more than one-fourth of its total output. The loss of area under maize has resulted in reducing the output of the present State by over 11,600 tons, which will not be compensated by the combined output of the four areas to be merged in this State. In respect of ragi and small millets, the transfer of the output of the Kanarese districts will not be counter-balanced by the transfer of output of the four regions to be merged in this State. The major impact of the change due to Kanara is to be distinctly seen on the output of kharif cereals, although the overall position emerges with decided improvement. In the sphere of rabi cereals, the output of barley in the Kanarese districts shows comparatively heavy yield per acre, but it has been more than compensated by the acquisition of new resources. It would appear that the production of wheat in the Kanarese region represented poor yield and here again the loss of its output of 38,600 tons has been more than made good. An important crop from the view-point of its use in diet shows that the bigger Bombay State will have a positive reduction in output—the transfer of over 3,000 acres under the potato crop has meant a decrease of more than 6,100 tons. Another crop, where again the shortfall due to the merger of the four districts in Mysore State could not be wiped out, is tobacco. It entails a decline of about 6,300 tons reduced to a net decline of more than 5,400 tons. These four districts will remove 28 per cent of the total acreage under cotton from the present Bombay State, involving a

transfer of about 24 per cent of the present output. But in the ultimate position in regard to cotton, this change is insignificant.

LARGER CEREAL OUTPUT

The added strength with which the new Bombay State will emerge merits a general scrutiny of the final position in respect of important crops. The acreage under total kharif cereals will increase from 22.3 million acres to 31.4 million acres, but the ratio of the increase in production will be higher — from 3.1 million tons to 4.5 million tons. The crops which will show lower output than in the existing State of Bombay are maize, ragi and small-millet. Since maize will come in for progressive consumption, it is instructive to find that the decline in its output from 103,300 tons to 95,800 tons will result in spite of a larger acreage. In the three important kharif cereals — rice, jowar and bajra — a marked improvement in production in absolute terms is visible. Output of rice will be stepped up from 770,900 tons to 925,900 tons. The significant loss caused by the transfer of Kanarese districts has been more than compensated by the yield from the Vidarbha areas, while Marathwada and Saurashtra will also bring modest additions. Production of jowar will be stepped up from 1.3 million tons to 2.5 million tons and in this increase the contribution of Vidarbha of the order of 1.1 million tons is outstanding. Output in Marathwada serves to even out the loss caused by the output in the Kanarese districts. Bajra crop will see an increase in production from 458,800 tons to 562,800 tons. The increase will be due mainly to the yield in Saurashtra of the order of 74,000 tons and in Marathwada of about 60,000 tons.

In the group of rabi cereals the improvement in total production is conspicuous. While the acreage under wheat and barley, comprising this group, will rise from 1.6 million acres to 2.2 million acres, the higher output needs to be noted individually. Production of wheat will be stepped up from 230,800 tons to 398,100 tons and of barley from 5,525 tons to 7,300 tons. Vidarbha alone will add 111,000 tons to wheat production which will be a little less than half the output of the

present Bombay State. Saurashtra and Marathwada will bring additions respectively of 52,000 tons and 43,000 tons. Among the other edible crops, potatoes alone represent a case of a net decline which is about 2,000 tons. The output of gram will go up from 69,600 tons to 125,400 tons and of tur from 124,200 tons to 473,800 tons. The most significant additions are of 45,200 tons of gram from Marathwada and of 308,900 tons of tur from Vidarbha.

STRIDES IN COMMERCIAL CROPS

The commercial crops disclose an impressive accretion to the agricultural resources of the new Bombay State. Individually there will be modest set-backs only in the case of tobacco and rape and mustard seeds. Sugarcane production in Bombay State constitutes a small quantum in the country-wide perspective and here there will be only a marginal improvement to 615,600 tons of output. But over the group as a whole there will be a distinct increase. The total output of oilseeds will rise from 474,200 tons to 728,900 tons, or an increase of 54 per cent. The major contributory sources to this final result deserve brief mention. Marathwada will bring an addition of 172,200 tons to the output of groundnut and likewise its addition to the production of castorseed will be 1,200 tons. But it ought to be stressed that the maximum addition to castorseed comes from Saurashtra with its output of 2,000 tons. A fact which deserves special attention is the phenomenal increase in the new composite State's production of that strategic commodity—linseed—from a mere 4,900 tons to 44,000 tons. This spectacular change is the outcome of the contribution of 22,700 tons from Vidarbha and 18,200 tons from Marathwada. The pride of place which the new Bombay State will take with still higher stature in the cotton textile industry will be matched by its internal resources of raw cotton. Cotton production in the composite State will take a sudden jump of approximately a threefold increase from 550,900 bales to 1,532,700 bales. Vidarbha will be the first largest producer of raw cotton on a regional basis with its impressive output of 716,570 bales, while the present Bombay State minus the four Kanarese

districts will rank next with a quantity of 421,000 bales, to be followed by Marathwada and Saurashtra with their output of 290,100 bales and 105,000 bales respectively. The aggregate acreage under cotton will be stepped up from 3.9 million acres as at present to 8.6 million acres.

THE CRUCIAL PER CAPITA CRITERION

This statement of agricultural production in absolute terms gives only one part of the total picture. It would be an error to draw conclusions about an impressive improvement in the crop resources of the new State from these absolute figures. Another test which must be applied in arriving at a reasonable estimate of the final position is the per capita production of the crops in the reorganised State. This test is vital because in the case of food crops it will show the per capita availability of the State's own resources and in the case of commercial crops it will facilitate a broad judgment of the improvement, if any, in rural incomes and consequently in rural standards of living.

The most vital fact in this appraisal is the increase in the population of the new State. This increase is quite significant and is of the order of 11.9 millions from 35.9 million in the present Bombay State to 47.8 millions after reorganisation. The quantitative increases in output must be read along with this important increase in the population of the new State.

The table on the previous page contains crop-wise analysis of production and per capita output for Bombay

State in the two situations as well as the per capita production for the whole of India. The figures in the table need no repetition here. But some specific conclusions to which they lead are important. Per capita production for total kharif cereals will improve after reorganisation, but in respect of that strategic staple cereal, rice, reorganised Bombay will have a lower per capita output. Bajra and maize belong to the same category. Jowar, however, shows a great improvement. In so far as total rabi cereals are concerned, there is a positive improvement and it is significant that per capita output of wheat will show a sizeable increase from 14.4 lb. to 18.6 lb. Among the commercial crops, the relative position in Bombay State will show deterioration in respect of sugarcane and tobacco. In the case of groundnut, sesamum, linseed and cotton marked increases in availability will be registered while in the rest of the crops the position will remain unchanged.

This comparison between the agricultural resources of Bombay today and after November next will not provide a complete answer to the general problem whether Bombay State will be self-sufficient or not in food production and other crops. A broad idea can be gathered from a comparison between the per capita production of different crops in reorganised Bombay and in India as a whole. A general conclusion can be drawn in respect of cereals that, despite a marked improvement after redistribution of territories, Bombay's deficit will not be wiped out. Per capita availability of cereals in Bombay will be 42.5 lbs. below the all-India average. But Bombay will score in a marked manner over the country as a whole in respect of aggregate oilseeds and raw cotton.

Industry

THE emergence of the bigger bilingual State of Bombay is wholly due to an eleventh hour political decision. It cannot be claimed, therefore, that the pattern on which the economy of the reorganised State will be shaped is the outcome of any conscious design. Various proposals were placed before the States Reorganisation Commission to determine the principles on which redistribution of State territories should be based to secure their sound economic development. Obviously in a complex issue like this, which was deeply coloured by linguistic claims, no particular criteria could pre-empt the redefinition of the boundaries of the new States. The vague concept of nodal regions as the primary criterion for formation of new States could not, of course, find acceptance with the SRC for obvious reasons. Likewise, the concept of bringing the per capita income of the redistributed State territories as nearly as possible to the national average was difficult to apply.

BALANCED GROWTH

But by a fortuitous culmination of events it so happens that these concepts have come to be incorporated indirectly, although in a marginal sense, in the formation of the new State of Bombay. Big cities and similar centres around which industries have tended to cluster are included on a much bigger scale in Bombay State than in any of the remaining thirteen States. These hubs of industrial activity in Bombay State will also command the hinterland over which trade and commerce will flow by reason of the existence of a single administration. A decisive advantage which has resulted from the final re-organisation of Bombay State is that a fair equilibrium will be secured between industry and agriculture in the economy of the State and a better pattern of occupational distribution will emerge.

This is in so far as the overall economy of the State is considered. But it would be hardly correct to say that disparities in the regional levels of economic development have disappeared as a result of reorganisation. They do exist. This fact is apparent from the broad character of the economies of the regions which have been incorporated newly in the bigger composite State. The Marathwada region of Hyderabad, large areas of Vidarbha, substantial parts of Saurashtra and the State of Kutch represent areas of the new State whose claim for deliberate emphasis on industrial development will need particular attention. In a predominantly agricultural economy of a country which is just setting on the path to accelerated industrialisation, wide intra-regional disparities are inevitable. They persist in all the States of India.

ADDED INDUSTRIAL POTENTIAL

The existing Bombay State has always ranked as one of the major industrial States in this country, but the effect of territorial redistribution must not be missed. Redistribution will have brought considerable accretion to the industrial potential of Bombay which would enhance its importance in the total national scale. The transfer of the four Kanarese districts from the present Bombay State to the new Mysore State is practically inconsequential from this point of view. The new territories which are to be merged in Bombay State, however, would make immediate additions in terms of industrial production and from the angle of potentialities of further development they would turn out to be useful. The significant contribution of Saurashtra is to be seen in stepping up the share of reorganised Bombay in the country's cement industry. Saurashtra will also make impression on Bombay's potential in a range of industries—cotton and woollen textiles, vanaspathi, paints and varnishes, soap and salt production. Kutch too will add

AGRICULTURE: 1951-52

Crops	Total Production (in tons)		Bilingual Bombay	Per capita production (in pounds)		Bilingual Bombay
	All-India	Present Bombay		All-India	Present Bombay	
Rice	20,964,000	770,955	925,932	131.5	46.0	43.3
Jowar	5,981,000	1,338,137	2,489,999	37.5	83.4	116.7
Bajra	2,309,000	458,845	562,765	14.5	23.6	26.4
Maize	2,043,000	103,296	95,829	12.8	6.4	4.5
Ragi	1,291,000	147,246	130,742	8.1	9.1	6.1
Small Millets	1,885,000	286,698	253,438	11.8	17.9	11.8
Total Kharif						
Cereals	34,473,000	3,105,177	4,476,905	216.4	193.4	208.8
Wheat	6,085,000	230,796	398,120	38.2	14.4	18.6
Barley	2,330,000	5,525	7,301	14.6	0.3	0.3
Total Rabi Cereals	8,415,000	236,321	405,421	52.8	14.7	18.9
Total Cereals	42,888,000	3,341,498	4,874,326	269.2	208.1	227.7
PLUSES						
Gram	3,334,000	69,639	125,426	20.9	4.4	5.9
Tur	1,801,000	124,226	473,797	11.3	7.7	22.2
Potatoes	1,885,000	72,729	70,633	10.6	4.5	3.3
Sugarcane	60,660,000	605,073	615,589	380.7	37.7	28.9
Tobacco	206,000	39,725	34,264	1.3	2.5	1.6
Groundnut	3,142,000	430,805	615,115	19.7	26.8	28.8
Castorseed	106,000	6,094	9,457	0.7	0.4	0.4
Sesamum	445,000	19,049	47,519	2.8	1.2	2.2
Rape & Mustard	928,000	13,379	12,757	5.8	0.8	0.6
Linseed	328,000	4,893	44,073	2.1	0.3	2.1
Total Oilseeds	4,949,000	474,220	728,921	31.1	29.5	34.2
Cotton (In bales)	3,133,000	550,961	1,532,746	3.4	6.0	12.6

considerably, for its modest area, to the new State's output of salt, while the Marathwada region of Hyderabad with its rich resources of commercial crops will increase the size of the vegetable oil processing industry. Vidarbha's transfer to Bombay will bring with it additional capacity in the production chiefly of cotton textiles, vanaspati, soap and oil processing.

Bombay State's premier position in cotton textiles, undoubtedly a front rank key industry in our economy, will be reinforced now by the redistribution of territories. The most valuable accretion to Bombay's resources for this industry comes from the transfer of the country's rich cotton growing areas of Vidarbha. Elsewhere in this Supplement is set out an elaborate table containing a picture of the present distribution of the units in the cotton textile industry, which should serve to give a clear idea of what the change in the State-wise composition of the industry would be after November next. In terms of units, the share of bigger composite State of Bombay in spinning mills would be raised to 23 out of a total of 121, or a little below 20 per cent, while its predominance in the major category of composite mills is indicated by the location of 173 units within the State's borders out of a total of 291, or approximately a share of 60 per cent. The real index of strength, however, ought to be sought in installed capacity in spindles and looms. Reorganized Bombay will have a spindlage capacity of 6.6 million out of a total of 12.05 million for the entire country. Madras which comes next in order has a spindlage of 2.2 million. In loomage Bombay will have, as at present, a distinctive position with a capacity of over 135,000 looms out of the aggregate of 202,901. Reorganized Madhya Pradesh would rank next but with a wide gap between the two. In percentage terms, new Bombay will have a capacity of over 55 for spindles and a little below 70 for looms.

THE BROAD INDUSTRIAL PICTURE

A broad assessment of the relative position of the new composite State of Bombay in the overall industrial economy needs to be made with reference to the organized industries for which programmes of expansion have been drawn up by the Planning Commission. A few representative cases in each distinct group of industries should help the purpose of a general estimate. This appraisal is by no means exhaustive. The statistical situation relates to the period at the end of the first Five-Year Plan except for a few industries where only earlier data had to be accepted. Bombay's industrial expansion has proceeded cautiously in the sector of mechanical engineering for the obvious reason of remote location from iron and coal resources. The advance made by the State in this sphere is modest and unlikely to improve in any marked degree in the years to come. Two automobile units in Bombay with annual production capacity of 8,000 vehicles out of the nation's 6 units and a capacity of 29,000 vehicles may indicate the second rank next after West Bengal, but in actual output the performance is much behind other producing States. Bombay's one unit for the manufacture of bicycles has built a record of steady expansion even after new entrants appeared on the scene. In improved agriculture implements Bombay's share in units as well as rated capacity is one-sixth of the total. Electrical engineering industries constitute a group in which Bombay has made marked progress. Its lead in the manufacture of electric transformers has given the State a ratio of one-third in respect of units and capacity. Electric motor industry provides an instance where half the rated capacity is located in this State with units of a large size as compared to the rest of the producing areas. Electric fans and electric lamps constitute industries with a high potential of growth in this country in the near future, but Bombay may very likely maintain its present modest contribution to their expansion. Radio receivers have a future full of pro-

mise for assured development. Bombay will continue its lead, as at the present time, accounting for over 50 per cent of rated capacity concentrated in large-sized units.

Chemical and allied industries have been developed in this State on a scale, which, though by no means representing the maximum expansion State-wise, has made it one of the premier stable regions of expansion. In the class of phosphetic fertilizers, Bombay possesses a lead having 6 units of a total capacity of 70,220 tons equivalent to one-third for the whole country. In the production of paints and varnishes new Bombay's 18 units, equal to West Bengal's, will have a little more than half of the latter's capacity. Sulphuric acid has a small place in Bombay in the country-wide perspective. But this State assumes the pride of place in the registered organised sector of soap manufacture with about 19 units after reorganisation claiming over 45 per cent of the installed capacity. Saurashtra will add 166 per cent to the present Bombay State's capacity for cement manufacture, pushing it to a level of 792,000 tons distributed among 5 units. At this level the capacity will be about one-third below that of the premier producing State of Bihar. In the sphere of power and alcohol output, Bombay State with its 1,447,000 bulk gallons of installed capacity comes a close second to West Bengal. Although this bigger composite State will have a wide coverage of food industries, salt and vanaspati will easily rank as its best. Saurashtra and Kutch between them will step up actual productions of salt by more than 100 per cent of the present Bombay State's output, bringing the combined quantity produced to 66 per cent of the entire country. Bombay's current lead in the production capacity of vanaspati equivalent to 114,600 tons will be increased by 56,300 tons by the addition of six units situated in Saurashtra and Vidarbha. The production capacity of this State in respect of sugar will improve marginally to over 14,000 tons.

THE FUTURE OUTLOOK

The rising stature of the larger Bombay State in the sphere of industry must be viewed in the national perspective. Seen from this angle, some limitations will not be missed. These limitations arise from the factors governing the location of industries. In the strategic group of metallurgical industries, particularly iron and steel and aluminium, Bombay State cannot be a participant. The loss of the manganese areas of the Kanarese region to be transferred to Mysore will be more than offset by the addition of the manganese areas of Vidarbha. But on what scale ferro-manganese industry can be developed in the new State will be decided later. In aircraft, shipbuilding, locomotives and to a preponderating extent in other railway rolling stock, a wide range of industrial machinery (except cement and sugar machinery) and a large area of mechanical engineering industries, Bombay State has not had either special benefit or claim to choice of location. This specific characteristic of the dispersal of Indian industry of certain types is unlikely to change to Bombay's advantage. Of the key enterprises in the public sector set up since Independence, Bombay State accounts for two—machine tools factory at Ambarnath and the antibiotics factory near Poona. The trend towards rectification of regional imbalance has considerable validity so long as it does not do violence to the basic factors determining rational choice of areas for industrial expansion. But by and large, Bombay State is bound to provide wide room for a larger spread of industries. The establishment of the two oil refineries at Bombay has enhanced the State's weight in the industrial scale. There are significant pointers to the prospect it holds for expansion in several other directions. Bombay State has built up a dynamic structure of industry and in future too it will be a testing ground for private enterprise to sustain this dynamism.

Bilingual Bombay and the Plan

The following are the important power schemes that fall in existing Bombay:

Name of Scheme	Total Cost	Expenditure in the II Plan	Benefits on completion ('000 KW)
(In Rs. Lakhs)			
Ukai	6,000	..	160
South Gujarat Electric Grid			
Stage II	450	400	45
Rajkot	20	20	2
Porbunder	150	150	15
Jamnagar	95	95	10
Morvi-Wankaner	64	64	4
Bhavnagar	50	50	8
Surendranagar	72	72	4
Veraval	100	100	10

Forty-four hydro and steam power generating schemes are proposed to be undertaken during the second Plan and of these 25 are hydro-electric stations and 19 thermal stations. The programme of the private sector provides for important plant additions in Ahmedabad and the Tata Power system as also additions in small sizes in a number of systems in Saurashtra.

In the private sector, the following schemes are included:

Name of Undertaking	Generating Plant KW.	Cost of Generating Plant Rs. lakhs.
Ahmedabad Electricity Co., Ltd.	45,000	278
Tata Power System		
(a) Trombay Thermal Station	1,00,000	1,400
(b) Bhira Hydro-Electric Extensions	60,000	550
Sholapur	3,000	30
Bhavnagar Electricity Co.	8,000	50

The programme for development of major ports includes schemes costing Rs. 23.3 crores at Bombay and Rs. 14 crores at Kandla.

At Kandla, four cargo jetties are under construction: two of these will be completed in October 1956 and the remaining two by March 1957. The programme in the second Plan provides for two more jetties estimated to cost Rs. 349 lakhs, which are necessary to handle ore traffic. Rs. 3.12 crores have been provided for the development of the township at Gandhidham.

In the total outlay of Rs. 617 crores for large and medium industries, the allocation for Bombay is Rs. 83 lakhs and practically nothing for Saurashtra and Kutch. Hindusthan Antibiotics is one of the important projects in the public sector situated near Poona in this State. The factory which went into production in 1955 will have an annual capacity of 15 million mega units by the end of 1956. It is proposed to expand the capacity of this factory to 24 million mega units per year by installing additional fermenters. The scheme is estimated to cost Rs. 42.35 lakhs and is expected to be completed by 1957. The Plan makes a tentative provision of Rs. 1 crore for the expansion of the factory. Among the two schemes in the private sector for the manufacture of penicillin, the Alembic Chemicals,

It is obviously difficult to assess precisely the scope of the second Five-Year Plan with regard to the new bilingual Bombay State, but it is possible to get at the broad picture that will emerge consequent on the accretions and several readjustments with regard to its boundaries. Such an attempt is made here. The tables in this article have been worked out with regard to outlay on agricultural development, national extension and community projects etc., social services and roads and road transport. The estimates, of course, are broad approximations.

Outlay and Allocation

(In Rs. Lakhs)

Head of expenditure	All-India	Present Bombay	Bilingual Bombay
Agriculture, NES, CP	56,767	6,157	8,790
Social Services	94,446	5,364	8,020
Roads & Road Transport	26,266	2,055	2,830

Thus it will be seen that the allocation for the new State shows an increase of 45 per cent in agriculture, 50 per cent in social services and 40 per cent in roads and road transport. While the percentage of population shows an increase of 33 per cent, the Plan allocations show a more than proportionate increase.

The outline on irrigation and power projects does not obviously lend itself to such a rough and ready calculation. The total cost of irrigation projects included in the second Plan is about Rs. 380 crores, of which Rs. 172 crores are expected to be spent during the second Plan, the balance being required in the third and subsequent Plans. The programme includes 195 new irrigation projects. On power projects, the total outlay is Rs. 448 crores. The allocation for existing Bombay is Rs. 68 crores for irrigation and Rs. 41 crores for power development. For Saurashtra, it is Rs. 4 crores and Rs. 4.7 crores and Kutch Rs. 92 lakhs and Rs. 1.7 crores.

A number of projects commenced in the first Plan are at present in different stages of construction. A total outlay of Rs. 160 crores is required for these during the second Plan. An additional outlay of Rs. 245 crores is proposed for new schemes to be completed during the second Plan and Rs. 22 crores for schemes the benefits from which will be derived in the third Plan. The Ukai Scheme is among the important projects in that category.

The following are the new schemes to be taken up in existing Bombay:

Name of scheme	Total Cost	Expenditure in the II Plan	Benefits on Completion ('000 acres)
(In Rs. Lakhs)			
Ukai	6,000	650	614
Narmada	2,500	400	1,157
Banas	737	300	120
Mula	839	350	204
Girna	308	550	184
Khadakwasla	1,182	400	204
Saurashtra:			
Bhadar	400	106	90

Baroda, are establishing a plant for the production of 4.8 million mega units of penicillin per annum.

The programme of over-all development envisaged under NIDC and private sector (other than mining, electric power, plantation and small-scale industries), will entail a total outlay of Rs. 720 crores, out of which Bombay will take its due share. So far as cement industry is concerned, on the basis of schemes approved so far, out of 44 units, four units have been allotted to Bombay and Saurashtra gets 5 units with a rated capacity of 565,000 tons and 1,470,000 tons, respectively. Out of the six manufacturers, the Premier Automobiles and Mahindra and Mahindra will remain in the new Bombay State. They have a definite share in the total target of production of 57,000 vehicles by 1960-61 for the entire country.

In the field of development of atomic energy, a

swimming pool atomic reactor built at Trombay has already started operating. It will produce isotopes for biological, medical and industrial research and will be used for training engineers for later projects. A high power high flux reactor received under the Colombo Plan from Canada is expected to go into production in 1958.

From the point of view of mineral development, coal occupies an important place. Coal fields of Kanhan and Pench valleys of Vidarbha have been included for detailed geological investigations by the Geological Survey and the Bureau of Mines. This will no doubt add to the wealth of Bombay.

An integrated picture of the Plan for the new Bombay State is bound to disclose its premier share in the industrial sector and a comprehensive programme of development of agriculture.

Notes on the New State

BIGGEST STATE

IN area, bilingual Bombay will be the biggest State after November 1, 1956, and put alongside of Kerala, the smallest State, its size is impressive. It sprawls over an area of 188,000 square miles, and accounts for 16 per cent of the total area in the Indian Union. Its population of 47.8 millions is second only to that of Uttar Pradesh and is 13.4 per cent of the total Indian population. The loss to Bombay by the secession of the Karnatak areas (21,000 square miles and 5.2 million people) is more than four times made up by the addition of Saurashtra, Kutch, Vidarbha and Marathwada (98,000 square miles and 17.2 million inhabitants) as shown in the table below:

	Area (in thousand sq. miles)	Population (in millions)
Present Bombay	111	35.9
Saurashtra	21	4.1
Kutch	16	0.6
Vidarbha	37	7.6
Marathwada	24	4.8
Less Karnatak Districts	21	5.2
TOTAL: NEW BOMBAY	188	47.8
PER CENT OF INDIAN TOTAL	16	13.4

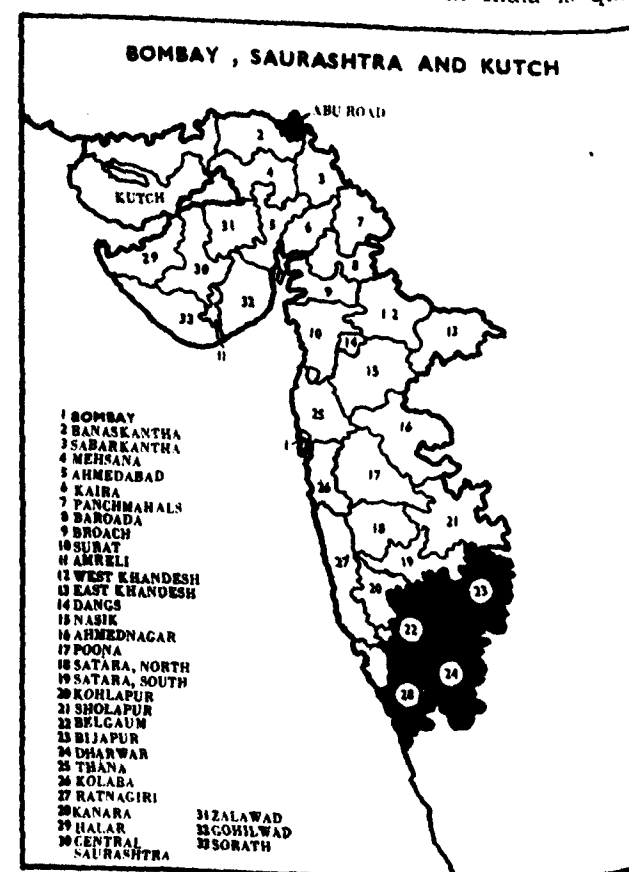
VIDARBHA

THE Vidarbha plain with an area of 36,880 square miles and a population of 7.6 millions, comprises the eight districts of Buldana, Akola, Amravati, Yeotmal, Wardha, Nagpur, Bhandara and Chanda. The first six districts form a unit in themselves, while the last two are different in soil, climate, rainfall and cropping patterns. Strictly, Vidarbha can be divided into two agricultural zones—(1) the cotton zone (Amravati, Akola, Buldana, Yeotmal, Wardha and Nagpur) and (2) the rice zone (Chanda and Bhandara). It can thus be seen that the cotton zone in the present Madhya Pradesh practically corresponds to the Vidarbha region. At one time, the districts of Berar, namely, Amravati, Akola, Buldana and Yeotmal, were producing considerable quantities of wheat and gram. But with increasing difficulties of irrigation and rainfall and the rise in the prices of cotton, these crops have been replaced to a considerable extent by cotton. Berar which was known as the "Golden Bird", is one of the richest strips of agricultural land in the country, and it should be possible to prevent it from deteriorating for want of sub-soil water.

The percentage of agricultural labourers and farm servants has always been high in the Vidarbha area (see table on p. xi). The textile industry and the mis-

cellaneous industries in Berar and the districts of Nagpur and Wardha account for the industrial population. Besides rice, Bhandara and Chanda grow sugarcane; and tobacco, orange and banana plantations are found in the Nagpur district and districts of Berar. The Nagpur orange market is, perhaps, the biggest in India. Though Nagpur district produces oranges worth Rs. 3 lakhs a year, a considerable portion is wasted because cultivation is unscientific, picking and transport are primitive, and grading and packing are deficient. The establishment of the Central Hindustan Orange and Cold Storage Company, however, goes a long way to overcome this wastage.

Mining is a major industry in this area. Chanda district is noted for its coal mines, and some of the finest manganese mines in the world are to be found in Nagpur and Bhandara districts. Practically all the known areas of manganese deposits are under mining leases, and nearly 90 per cent of the deposits are leased to one company, the Central Provinces Manganese Ore Company, which is a British company with sterling capital. There is a flourishing export trade in manganese ores, but the proportion used in India is quite



August 31, 1956.

BILINGUAL BOMBAY SUPPLEMENT

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negligible. The high percentage of people in occupations other than cultivation in the Bhandara district is partly due to the popular "bidi" industry, which is so paying that an acute shortage of agricultural labour is frequently experienced. Among subsidiary occupations may be mentioned hunting and trapping, particularly in Akola district, where the percentage of people engaged in it is as high as 9.98. The Pardhis of Berar are a professional tribe well versed in trapping and catching birds and animals. The forest areas of Chanda district are well known, and contain the famous Allapali teak, which is regarded as one of the best qualities of timber in this country.

Among the cities of India, Nagpur (with a population of 449,099) stands eleventh at the 1951 census. The Nagpur airport is of great importance being at the centre of vital airways. On account of excellent visibility almost throughout the year, it may become one of the most important international landing grounds. Amravati (102,806) is the second largest urban unit in Vidarbha. Akola (89,606) is another flourishing and rapidly growing region. Nagpur, Wardha, Akola and Amravati are the main centres of the cotton textile industry in its various forms.

Districts	Agricultural Population	Non-agricultural Population	Total
Buldana	595,940	174,248	870,168
Akola	718,954	232,040	950,994
Amravati	747,453	283,707	1,031,160
Yeotmal	733,066	198,916	931,982
Nagpur	530,685	703,871	1,234,556
Wardha	351,496	187,407	538,903
Bhandara	760,745	310,912	1,071,657
Chanda	735,888	241,730	977,618
TOTAL	5,174,227	2,332,831	7,607,038

KARNATAK DISTRICTS

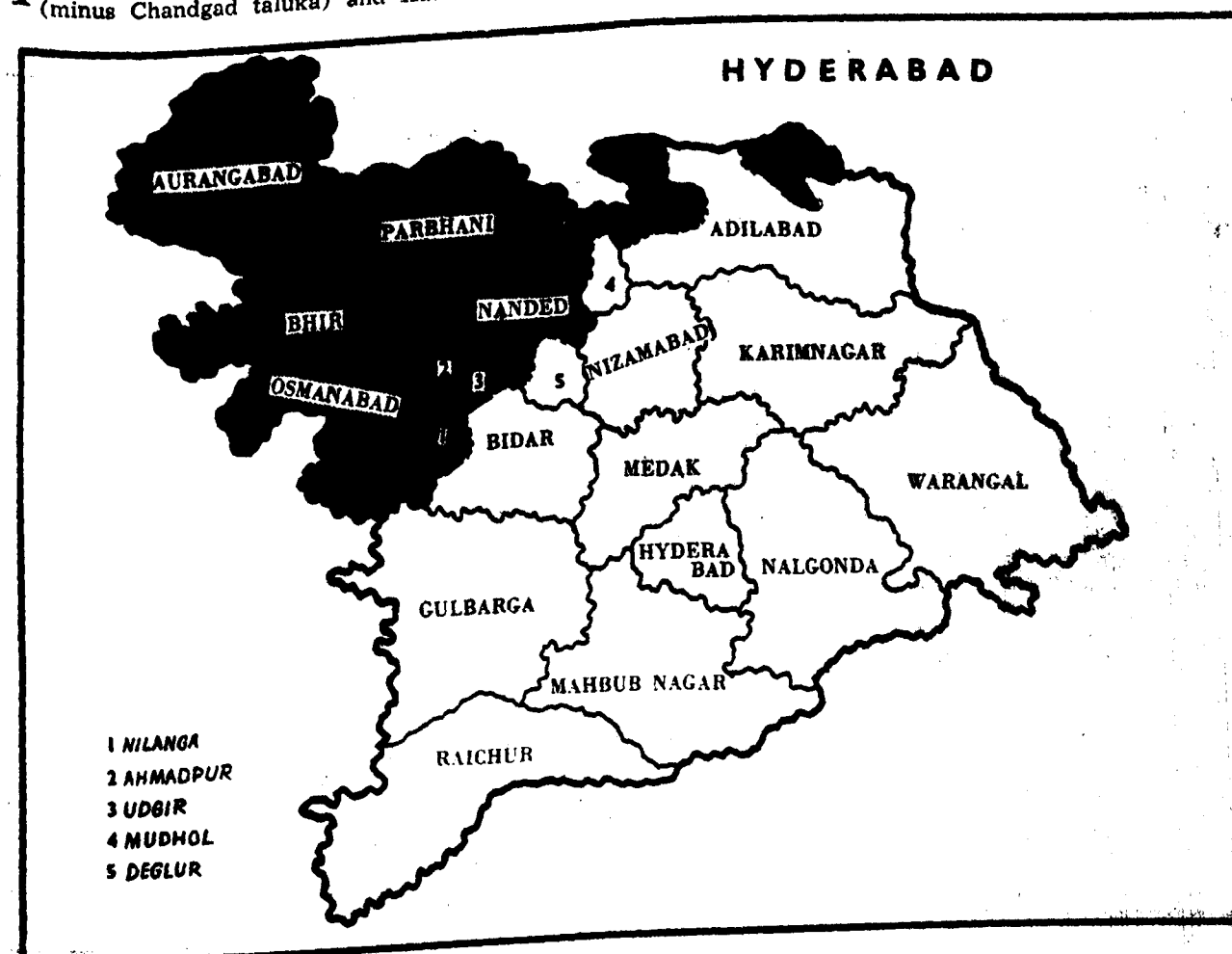
THE Karnatak districts of Bijapur, Dharwar, Belgaum (minus Chandgad taluka) and Kanara, which will

secede from Bombay and be added to Mysore with the reorganisation of States, are mainly agricultural in their economy; there is hardly any industry of importance there. According to the 1951 census, Kanara, a forest district, had an average of only 323 inhabitants per village, and 38.3 per cent of the rural population lived in villages with less than 500 inhabitants. Garden cultivation, which requires heavy capital expenditure, is one of the factors responsible for the existence of a high proportion of tenant cultivators in that district. Belgaum has large villages with populations of 2,000 to 3,000, due to the availability of fertile agricultural tracts. The explanation of the fairly large number of landlords, tenants and agricultural labourers in Belgaum, Dharwar and Bijapur, probably lies in the alienation of Government lands in the form of inams. Another factor might be the availability of extensive irrigation facilities in Dharwar district leading to the creation of a fairly numerous class of small landlords. Slightly over a quarter of the urban population of Bijapur district, where handloom weaving is an important industry, and of Dharwar district, which contains the city of Hubli (129,609), is engaged in occupations other than cultivation. Dharwar, Bijapur and Kanara have a high proportion (25 per cent) of self-supporting population. The reason in most cases is that a higher proportion of women is self-supporting, suggesting that in these districts women in the families of cultivating owners participate fully in the cultivation of the family land.

An almost similar occupational pattern is seen in the Abu Road taluka (of Banaskantha district) which will join Rajasthan in the new set-up.

MARATHWADA

THE Marathi speaking areas transferred from Hyderabad State are more important historically and culturally than in any other respect, because the famous Ajanta and Ellora caves are situated there. Economically, the population is predominantly rural in composition, which



is in keeping with the overall pattern prevailing in the country. Bidar and Osmanabad are important agricultural areas, where jagirs have been integrated and livestock raising is a paying business. The annual turnover of agricultural produce in Osmanabad market is well over three crores of rupees. Since, however, rainfall is rather low in Marathwada as a whole, occasional famines are not unknown. Industrial development is poor, and especially in parts of Adilabad conditions are almost primitive. The slightly lower proportion of owner cultivators in the Aurangabad district is due to considerable areas being in the possession of big landlords and of certain castes and classes which are primarily engaged in commerce or other services. Stone quarrying, cotton ginning, oil mills and the traditional cottage industries are, perhaps, the only industries in this area. The cottage industries, however, are of no importance in their capacity to give full-time employment, and many of them like the silk and saree borders of Aurangabad, Bidar shoes and Abidlabad toys are fast disappearing. Unlike the eastern districts of Hyderabad, Marathwada is poor in village industries and in artisan trades as a principal means of livelihood.

PREMIER MARITIME STATE

A MONG other things the bigger bilingual Bombay will retain its character as the premier maritime State in the Indian Union with positive additions of seaboard and ports. A coastline more than 700 miles long, a

favourable orientation to the Arabian sea, numerous ports, rich agricultural and industrial resources are its distinguishing features. Geographically, Bombay State is Western India more than ever before, and with the addition of Kandla, which is fast developing as a major port, the ports in the new State will serve a considerable part of Western and Central India as well as Rajasthan.

Bombay harbour is practically mid-way between Karachi and Cochin—that is, about 580 miles north of Cochin and 505 miles South-East of Karachi, coast-wise. In the matter of natural facilities, it is one of the most fortunate of the world's great seaports and is a "natural haven." In 1954-55, Bombay harbour handled as much as 38 per cent of the cargo passing through India's major ports, a figure only slightly lower to that of Calcutta. In the import trade its importance has been increasing particularly since it has had to bear the main brunt of the loss of Karachi. No doubt Kandla is fulfilling the hopes of the West Coast Major Ports Development Committee, but it will yet take time before it can relieve the pressure on Bombay substantially. The search for a proper substitute for Karachi will be amply fulfilled when Kandla project is completed.

Ports on the Saurashtra Coast such as Bhavnagar, Bedi Verawal, Okha and Navlakhi have great possibilities. According to the present classification, they come under the category of minor ports—those which

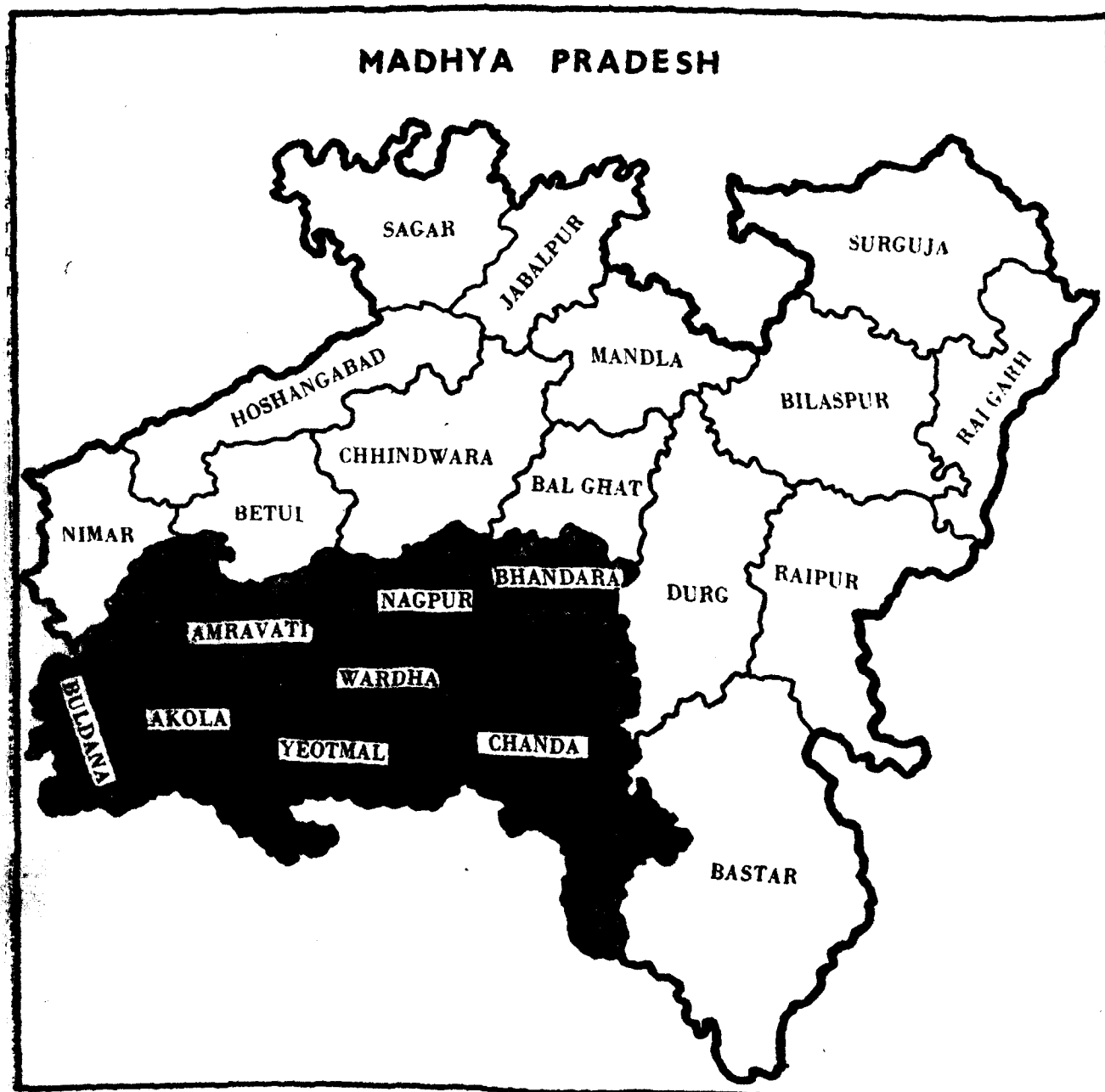
handle less than one million tons of cargo. But strictly, there is no dividing line between minor and intermediate ports. This unscientific classification has often militated against the fair allocation of development outlay between the different categories of ports. Minor ports are a State subject, and it is up to the new administration in Bombay to see that the Saurashtra seaboard is made a greater and more efficient asset to this country. A doubling of the development expenditure on minor ports in the second Plan to Rs. 5 crores goes only half the way; a substantial balance has to be found by the States from their own resources.

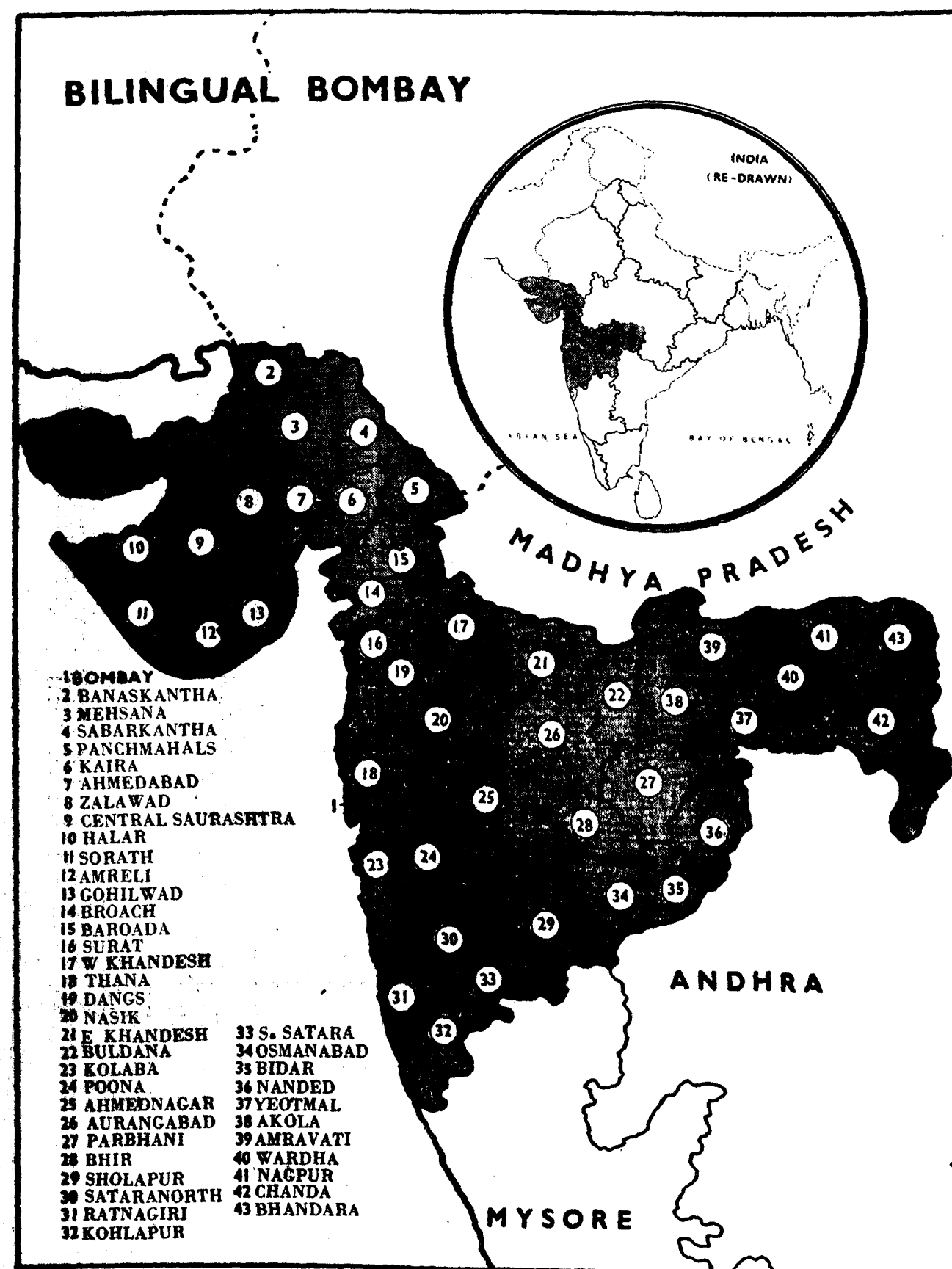
INSTALLED CAPACITY OF THE COTTON TEXTILE INDUSTRY IN VARIOUS AREAS IN INDIA AS ON APRIL 1, 1951, AND JANUARY 1, 1956.

Zone:	April 1, 1951				January 1, 1956				Increase	
	Number of Spinning Mills	Number of Composite Mills	Spindleage	Loomage	Number of spinning Mills	Number of composite Mills	Spindleage	Loomage	Spindleage	Loomage
Ahmedabad City	4	63	1,923,188	42,041	4	63	2,036,408	41,642	113,240	—339
Bombay City	5	58	2,972,988	64,895	5	58	3,105,448	65,183	132,480	288
Rest of Bombay	11	38	1,243,524	23,580	12	38	1,257,244	23,488	13,720	—92
Saurashtra	2	8	151,792	3,032	1	9	169,480	3,637	17,688	605
Kutch	1	—	5,312	—	1	—	5,312	—	—	—
Madhya Bharat	2	14	414,738	10,860	1	15	436,410	10,971	21,672	311
Bhopal	—	1	15,004	400	—	1	14,876	400	—128	—
Ajmer	—	4	64,420	1,755	—	4	66,312	1,738	1,892	—17
Rajasthan	2	5	92,738	1,544	2	5	98,068	1,719	3,330	175
PEPSU	—	1	17,856	390	—	1	26,560	530	8,704	140
Punjab	1	2	40,584	685	2	2	52,572	853	11,988	188
Delhi	—	3	140,976	3,435	—	3	156,532	3,442	15,556	7
Uttar Pradesh	5	16	734,420	12,638	6	17	770,792	13,090	38,372	954
Bihar	—	2	29,520	746	—	2	28,468	745	—1,052	—1
West Bengal	3	15	386,838	7,486	10	17	507,429	9,115	120,591	529
Orissa	—	1	33,404	432	1	1	51,472	884	18,068	432
Madhya Pradesh	—	11	366,552	7,218	—	11	374,130	7,394	7,578	176
Hyderabad	—	6	116,762	2,559	—	6	158,080	3,184	41,318	605
Madras	59*	18*	1,862,557*	7,566*	59	26	2,212,264	8,525	410,687*	987
Mysore	3	5	219,416	2,655	2	7	243,436	3,097	24,020	443
Andhra	N.A.	—	—	—	7	—	60,380	—	—	—
Kerala	5	4	109,692	716	8	2	140,412	717	30,720	—
Pondicherry	N.A.	—	—	—	11	3	81,124	2,689	—	—
TOTAL	103	275	10,942,241	194,411	121	291	12,051,209	202,901	1,108,968	

* Includes Andhra.

Source: Programmes of Industrial Development





The Public Sector in Indian Industry

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The Public Sector: Overconfidence?

THE accent on the emergence of the public sector as a predominant partner in the economy is of recent growth and dates particularly to the formative period of the second Five-Year Plan. The first Plan generated high confidence, by reason of its successful execution, in the capacity of the country to undertake and accomplish planned development. Apart from this powerful new mood, there was valid justification why the process of planned development should call for imaginative action to raise its tempo. The deficiencies in agricultural and raw material resources, consequent on the partition of the country, had been substantially recouped in the first Plan and the way was cleared for a response to the inevitable urge felt by the people for tangible improvement in their standards of living after independence. The second Plan aims at raising the national income by 25 per cent and this goal has set the tone for bold targets of production to be attained during the Plan period. Striking progress of this order implies deliberate direction of the economy towards wide diversification necessitating primarily a stress on industrialisation. It involves unquestionably large social and economic overheads which must be provided in a large measure by the State, the more so if an underdeveloped economy desires to reduce delays in the rate of growth. The goals of development fixed for the second Plan have underlined the need for rapid expansion of industry and to make it broad-based the longer perspective emphasis has been laid on basic and heavy industries. This pattern of development has necessitated increasing participation of the public sector in the task.

A powerful political factor has undoubtedly contributed to the new emphasis on the accelerated growth of the public sector in the immediate future. That factor is the declared acceptance of the socialist pattern of society as the aim to be achieved in planning. A logical outcome of this goal has been to fix on the State large liability for finding financial, manpower and technological resources to acquire ownership and control of strategic segments of industry in terms of the priorities prescribed in the Plan. The projects in question include exploration and exploitation of mineral resources, production of iron and steel, capital goods industries and other basic engineering industries which condition the rate of development of the economy in the long run. Acceptance of the ideal of the socialist pattern has thus offered added defence for forcing the expansion of the public sector. All issues of preference for programmes of development have tended to be coloured by the consideration whether priority should not be given to the public sector in the allocation of projects and the area of the private sector is sought to be restricted on the plausible plea of preventing concentration of economic power in private hands. The pursuit of the socialist objective, however, has not been elevated to a rigid dogma and in the result the real basis on which development of economy is to be built is co-existence of the two sectors.

This definition of the ideal of the socialist pattern has been amply clarified in the new statement of industrial policy announced on April 30, 1956. The greatest virtue of this policy statement is to allocate in

broad terms the areas for the operations of the two sectors and to maintain basic flexibility in this allocation. While industries in Schedule A appended to the statement have been reserved exclusively for future development by the State, the collaboration of the private sector in specific cases has not been ruled out. Coal offers a typical case in which this latitude can be exercised to abandon the present dog-in-the-manger policy and accept participation of the private sector to avert shortfalls in fuel supplies. Industries in Schedule B represent a wide area of the mixed operation of the two sectors. New enterprises in this category are no doubt reserved for the public sector, but this demarcation does not preclude the entry of the private sector with investment either fully owned by it or owned in partnership with the public sector. The residual field of industry has been left to the private sector subject to the necessity of the State having to step in where private investment proves hesitant. The very scheme of classification of areas of operation refrains from any doctrinaire commitments and in effect makes pragmatism the real basis of approach to the task of development. This objective attitude should induce reconsideration of the present allotment of onerous responsibility to the public sector which is patently out of proportion to its possible resources.

While it need not be denied that in the conditions of the choice of the form and content of the second Plan conscious stress has been laid on capital-intensive industries, implying rapid growth of the public sector, the appropriateness of the pace of that growth cannot be assumed in absolute terms. The validity of the allocation of resources to it must be determined by the primary test whether on realistic expectations they can be put to the maximum benefit to secure reasonable balance in the utilisation of total resources to be raised for the Plan. It is the purpose of this Blue Supplement to examine whether this fundamental criterion has been properly applied in assigning a spectacular role to the public sector. The article that follows analyses the character of that role. Whether maximum utilisation of limited resources can be obtained in the specific sphere of the public sector in the current Plan period will depend on its prospective capacity to exploit them efficiently and economically. Any objective assessment of this capacity ought to be related to the actual performance of the public sector in the first Plan and its likely ability to digest additional resources to be placed at its disposal on the scale contemplated in the second Plan.

On this crucial test the verdict to be derived from the assessment of its progress in the first Plan is unmistakable. The article dealing with this issue examines the achievement of the public sector in the major projects assigned to it. That verdict is that, by and large, there has been a serious shortfall in the achievement of the targets set for this sector. Sindri Fertilisers, Chittaranjan Locomotives, the Penicillin Plant and Telephone Industries represent the brighter side of the picture. But over the major part there have been striking deficiencies in fulfilment and in some cases progress with the preliminaries has been tardy

Role in Industrial Expansion

THE philosophy underlying the adoption of a bold and ambitious programme of development during the period of the second Plan has placed great stress on the expansion of industry and in fact much of the discussion on the structure of the Plan centred round this strategic point. The success achieved in the rehabilitation and a fair degree of development of agriculture

to the point of putting off the production phase beyond the Plan period. The overall shortfall in the public sector has been of the order of 43 per cent in the financial targets. By contrast, the private sector has not only rendered a good account of itself but over-fulfilled some of its major targets. It is the massive achievement of the private sector which has been responsible for the success of the first Plan in the aggregate. The assessment of the potential of the public sector in this Supplement, however, recognises the wisdom of reserving to it a preponderating share of development in strategic industries of which iron and steel is the conspicuous example.

The working of most of the projects in the public sector has been the subject of considerable criticism at the hands of the Estimates and Public Accounts Committees of Parliament. A certain margin of waste is the inevitable price of experimentation, but it cannot be overlooked that the emerging public sector is now rapidly transcending its conventional spheres of defence industries and public utility undertakings and sprawling out in the commercial sphere. Its financial management, therefore, must answer the tests of economy and efficiency. An analysis of financial working in one of the articles in this Supplement leads to the conclusion that assurance of good performance has not been forthcoming on this score after allowing for mitigating factors. Strict vigilance will need to be exercised on the financial efficiency of public enterprises in view of the fact that the near-monopoly conditions in which they function remove the normal correctives of competitive markets.

The public sector has kept on taking vast burdens of responsibility for industrial development, presumably on the assumption that once the requisite outlays are provided the rest of the resources problems would not present insuperable difficulties. The risks into which the public sector is likely to run because of this attitude are serious in the sphere of managerial and technical personnel. The issues raised by technical manpower requirements are formidable. It is a missing component in the second Plan that, while ambitious programmes of industrialisation have been prescribed for the public sector, no genuine attempt has been made to draw up a manpower budget. The three new steel plants and the heavy electrical plant alone will make a draft of 22,550 skilled technicians and 2,925 engineers on the resources. The agreements entered into with the Governments of the UK, Germany, USSR and Australia and foreign private collaborating enterprises, and expanded facilities of training at various levels at home, besides being short of the effective demand, may not be able to turn out the trainees in time as plants get ready with various phases of production.

The main conclusion to which this Supplement points may appear uninspiring. The shortcomings of the public sector are known; but, curiously the logical consequences of these shortcomings are seldom drawn. The public sector is obviously taking on much in excess of what it can assimilate. It is time to load agencies only according to their capacity.

in the first Plan gave assurance that the fissures made in the economy by partition had been more than repaired and the crisis was definitely tided over. Priorities in the second Plan, therefore, required realignment and a rapid rate of industrialisation was accepted as the basic condition of planning on a vigorous scale. The impact of this reasoning on the scheme of invest-

ment in the second Plan is fully reflected in the allocations set out in the table below:

PROGRAMME OF INVESTMENT OUTLAY IN THE SECOND PLAN

	Investment Outlay (Rs. crores)	Percentage Share in Total Investment
I Agriculture and Community Development:		
Agriculture	181	4.76
National Extension and Community Development	157	4.13
II Irrigation and Power:		
Irrigation and Flood Control	456	12.00
Power	407	10.71
III Industries and Mining:		
Large and Medium Industries and Mining	670	17.63
Village and Small-Scale Industries	120	3.17
IV Transport and Communications	1,335	35.13
V Social Services	455	11.97
VI Miscellaneous	19	0.50
TOTAL	3,800	100.00

INVESTMENT PRIORITIES

This scheme of investment in the public sector ought to be read along with the corresponding scheme for the private sector which envisages total investment of the order of Rs. 2,400 crores to arrive at a complete picture of the investment pattern. It is pertinent for comparison to recall that the private sector's investment in organized industry and mining has been estimated at Rs. 575 crores. These magnitudes are to be taken only in a broad sense.

The percentage shares of different components of the Plan reveals clearly the relative emphases assigned to them in the public sector. Excluding transport and communications, which must be assigned maximum investment resources for obvious reasons, the largest share of allocation has been awarded to organised industries and mining. The share of mining, however, is a small part of the composite figure and even after allowing for deduction due to it, organized industry in the public sector claims the highest share in investment (excluding investment in transport and communications), which is appreciably in excess of the percentage shares of irrigation including flood control and social services which take the next rank.

LOP-SIDED EMPHASIS

A most outstanding characteristic of organised industry in the public sector is that it relates almost exclusively to basic and heavy group of industries. This choice in priorities is deliberate and it reflects the principal aim of the Plan to build basic resources for the industrial sector of the economy. An under-developed economy aspiring to achieve a rapid rate of growth is in a sense under compulsion to accept this order of preferences and in the case of India the challenge posed by communist planning has added the weight of expediency to this choice. While no valid fundamental exception may be taken to the scheme of priorities accepted, it is surely arguable whether equilibrium in the two segments of industry—heavy and capital goods industries on the one hand and light and consumer goods industries on the other—has not been disregarded in the context of the present and immediate level of the economy.

The strains on resources involved in a high priority for capital intensive industries do not appear to have been sufficiently appreciated. The high volume of machinery equipment and other products to be turned out by heavy industries in the public sector ought to be matched by increased production in other sectors creating marketable surpluses for effective demand to absorb the former output. The only instance where indiscriminate emphasis on basic and heavy industry has been successfully carried through in backward conditions of economic development is offered by regimented planning in totalitarian countries. It would be bold to assume that other relevant and vital issues, particularly those of employment and foreign exchange resources, have received adequate consideration in the determination of this significant priority and it is difficult to meet the criticism that the preference shown for heavy industry in the public sector has erred on the side of lop-sidedness.

RANGE OF PRINCIPAL INDUSTRIES

The programmes of development of industries assigned to the public sector fall, by and large, within the category of industries for which first priority has been given. This category includes iron and steel, heavy engineering and machine-building industries, heavy chemicals, including nitrogenous fertilizers, and so forth. There is a range of industries in the public sector not covered by this group. But it is of a minor magnitude. By far the largest part of the public sector's industries comes within the responsibility of the Central Government; nevertheless, the State Governments have a number of projects approved in their programmes, for instance, West Bengal's production of foundry coke and by-products of coal carbonisation at Durgapur, manufacture of electric porcelain insulators in Mysore and Bihar, reorganization of the tool factory in Hyderabad, a paper mill in Andhra, expansion of cement factory in U.P. and the superphosphate factory in Bihar. The production targets under individual schemes assigned to the public sector will be found in the statistical section of this Supplement.

India's pre-eminent potential for the production of steel at relatively cheap cost has been exploited only marginally, but the second Plan has given the highest preference to accelerated expansion of this industry. In terms of the new Industrial Policy Statement all new units in the iron and steel industry are to be set up in the public sector. A separate article in this Supplement deals with this strategic programme in detail. What is important is that the public sector will be the dominant participant in the steel industry producing more than 50 per cent of the target of 4.3 million tons of finished steel at the end of the second Plan. This marks only its initial development.

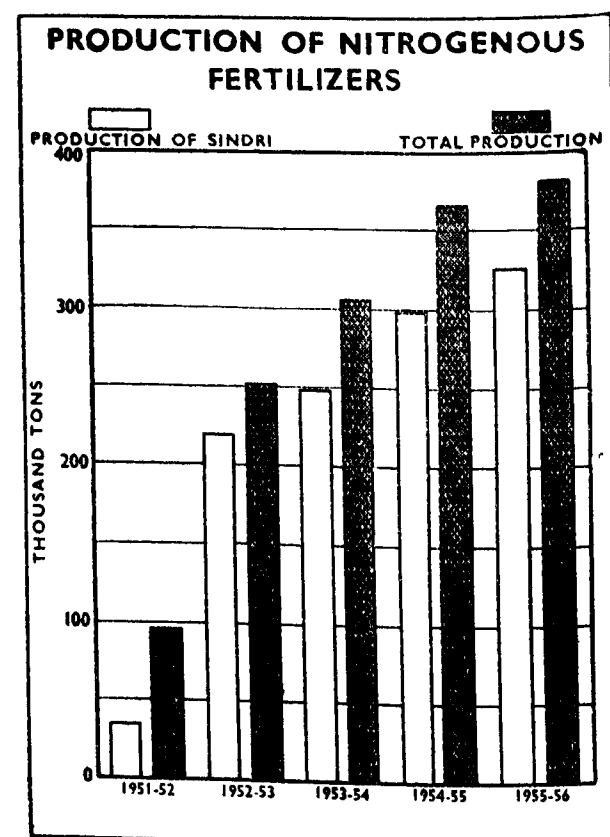
MAJOR HEAVY PROJECTS

Heavy engineering industries have been allotted a sizable proportion of the outlay. The Chittaranjan Locomotive Factory is scheduled to raise its annual rate of production of locomotives from 129 to 300. The Visakhapatnam Shipyard has been assigned the task of increasing its rate of output in the first instance to 4 ships of the modern type now being built equivalent to 6 old type ships. The dry-dock to be constructed at Visakhapatnam besides effecting considerable saving of time and cost in the construction of ships at the yard, will enable it to undertake large-scale repair jobs for the Navy. The Chittaranjan Locomotive Factory will set up a heavy steel foundry on a scale sufficient to satisfy the entire requirements of the railways in respect of heavy castings. In fact, this plant will be only one part of the larger scheme of additional heavy foundries, forge shops and heavy structural shops which are to be financed largely by the funds to be

provided by the National Industrial Development Corporation. This comprehensive programme is intended as a preliminary aid to the accelerated programme of the expansion of heavy engineering industries including machinery manufacture, machine tools and other equipment.

The project for the manufacture of heavy electrical equipment is envisaged on a grand scale to cater to the great demand that will follow the completion of power projects. This project is expected to take another 8 years to be completed and it is a sad commentary on the policy of procrastination and hesitation on the part of the Government that the period for completion could not be advanced. A few sections of this plant are estimated to start production towards the end of the second Plan. The Hindustan Machine Tools Factory has been charged with the programme of diversifying the range and types of the tools to be produced by it. Of particular importance in the present programme is the production of high speed lathes of 8½" centre with an annual rate of output of 400 and in addition lathes of larger sizes, milling machines and drilling machines are also to be taken up in the schedule of production.

Production of fertilizers is to be diversified with emphasis in new direction. It is assumed that consumption of nitrogenous fertilizers will rise to 370,000 tons in terms of fixed nitrogen by the end of the Plan period. The full volume of these requirements will not be met by indigenous production. Nevertheless, production for progress towards self-sufficiency will get off to a good start. Pursuant to the recommendations of the Fertilizer Production Committee two new factories for fertilizers are to be set up, one at Nangal and the other at Rourkela. These are in addition to the factory which will form part of the lignite project at Neiveli in South Arcot District of Madras. The Nangal Factory is to produce ammonium nitrate with a mixture of appropriate diluent equivalent to 70,000 tons of fixed nitrogen. The Rourkela plant will produce nitrolimestone equivalent to 80,000 tons of fixed nitrogen. It must be recalled in



this context that the Sindri Fertilizer Factory has already taken in hand an expansion programme to secure 47,000 tons of fixed nitrogen. Heavy chemicals and byproducts as also primary organic chemicals are to be produced as ancillary parts of the activity at the three new steel plants and the projected lignite enterprise at Neiveli.

This first decisive phase of the penetration of the public sector in industry is an index of the rapidity with which it is determined to spread its tentacles over an ever-widening area.

Steel and the Public Sector

THE dynamism in the industrial component of the second Plan is probably illustrated at its best in the programme of expansion for steel and more so in that part of the programme which has been earmarked for the public sector. This dynamism owes much to the personal initiative taken by Mr. T. T. Krishnamachari who came forward with the announcement of a bold target of 6 million tons of ingots in 1961 that looked then to many as overambitious. Later experience has corroborated the wisdom of imaginative planning for steel because, in the absence of larger production at home, a critical situation would have developed by reason of the order books of manufacturers abroad being full for quite some time. Besides short supplies, reliance on greater imports would have worsened the strain on foreign exchange resources during the Plan. From 1953 to 1955 was the crucial period for concrete planning in steel and the strategy adopted has now shown that India could enjoy positive bargaining benefit in negotiations with three different countries. Steel, however, does not admit of short-term planning and the Minister for Iron and Steel has significantly urged that this country must adopt perspective planning for this key material with a target of 18 million tons of ingots in a period of ten years.

FIRST BOLD TARGET

The target of six million tons of ingot steel is to be achieved by setting up three projects at Rourkela,

Bhilai and Durgapur in the public sector and by the expansion of existing works. The table below brings this out clearly:

	Existing (In million tons)	Target for 1964 (In million tons)
I By establishment of new works in the public sector		
Rourkela Plant	—	1.0
Bhilai Plant	—	1.0
Durgapur Plant	—	1.0
II By expansion of existing works		
Tata Iron and Steel Works	0.9	2.0
Indian Iron and Steel Works	0.5	0.9
Mysore Iron and Steel Works	0.03	0.1
	1.43	6.0

The second Five-Year Plan makes a provision of Rs. 350 crores for the three steel projects and Rs. 6

crores for the expansion of the Mysore Iron and Steel Works. It is estimated that on the completion of these projects, the annual value of the output of steel in the public sector will amount to about Rs. 120 crores as against the present negligible figure of about Rs. 1 crore. The amount of foreign assistance, which is being received for these plants by way of participation in capital, deferred payments for plant and machinery and other forms of credit is estimated to amount to about Rs. 75 crores.

THE FIRST DEAL

The Rourkela project situated in Orissa is the first fruit of Government's efforts at setting up a big steel plant in the public sector. Estimated to entail an outlay of about Rs. 128 crores during 1956-61, the plant will manufacture 720,000 tons of flat products from one million tons of ingot steel per annum. The manufacturing process comprises heavy plate for ship-building, locomotive construction, boiler making, track building, and so forth and light plate and strip, hot and cold, rolled, tinned and galvanised. Following an agreement with the German combine of Krupps and Demag in 1953 the Hindustan Steel Ltd. was promoted with an authorised capital of Rs. 100 crores and an issued and paid-up capital of Rs. 5 lakhs of which Rs. 4 lakhs were contributed by the Government and Rs. 1 lakh by the German combine which will act as consultants to the Government. The company will be in charge of placing orders for the plant, site development, construction and commissioning of the works. An outstanding feature of the plant is the adoption of the Linz-Donawitz oxygen blowing process, unlike the open hearth process in the Bhilai and Durgapur projects, which will have the advantages of lower capital and operating costs, higher rate of production and saving in space and auxiliary equipment. Besides the initial share capital amounting to Rs. 4 lakhs, the Government of India have so far advanced to the company a sum of Rs. 6.5 crores towards expenditure on construction.

USSR TOO IN THE PICTURE

The Bhilai project to be located in Madhya Pradesh is the result of an agreement of the Government of India with the Soviet Government signed on February 21, 1955. The agreement provides for a steel plant estimated to cost Rs. 110 crores with an initial capacity of 1 million tons of ingot to be rolled into 750,000 tons of finished products. The plant is designed to produce rails, heavy structurals, sleeper bars, crossing sleepers, merchant bars and billets and provision will be made for the eventual expansion of its capacity to one million tons of rolled products besides 30,000 tons of foundry pig iron for sale. Under the agreement, the equipment will be supplied by the Soviet Union, while the Government of India have assumed responsibility for preparation of the plant site, construction of buildings, roads, railway tracks, planning and construction of township, procurement of construction material, and so on. Soviet specialists will assist in the construction of the plant. The agreement has awakened keen interest in the country since it is the first major economic consultancy agreement signed between India and the USSR. One particular feature of the agreement is the easy terms offered in respect of payments. Since deferred payments are charged only at the rate of 2½ per cent per year against 5 per cent or more at which private firms can borrow, it means that the agreement implies a reduction of about 50 per cent in interest charges. If it is assumed that these deferred payments apply to equipment and services of the order of Rs. 50 crores, this might be taken to imply a saving of Rs. 1.25 crores operating for a period of between five and six years from the conclusion of the plant or possibly Rs. 8 to 9 crores in all. This is certainly a great con-

cession. Nevertheless the criticism holds good that consultancy charges levied are high and the Russian plant will consume longer time in construction in relation to the German plant.

THE PLANT AT DURGAPUR

The third plant to be established at Durgapur in West Bengal is expected to cost about Rs. 115 crores. This was consequent on an agreement with a British consortium, the Indian Steel Works Construction Company Ltd. known as ISCON. Unlike in the case of the Rourkela and Bhilai projects where the Government of India has to undertake the task of site development and construction of works, it will be relieved of these major responsibilities at Durgapur where the British Consortium has undertaken to build and hand over the works ready for operation. This 'package' deal is expected to help in the speedy execution of the project and thereby save as much as 8 to 12 months which would otherwise be spent in the preparation of details, designs and specifications and in inviting global tenders. The plant is to be equipped to produce light and medium sections of steel and billets amounting to 790,000 tons per annum. The plant, machinery and equipment and a considerable part of steel structures, refractories and other materials required for the plant will be supplied by the member-firms of the Consortium. Of the total estimated cost of about £80 million, the sterling contract value covering supplies and services will be in the region of £52 million and the balance will relate among other things to the fabrication of some 30,000 tons of steel in India and the provision of Indian materials and labour and will represent the rupee expenditure. The decision of the Government of India to utilise approximately £25 million from the sterling balances will go some way in solving the problem of payments. For financing part of the foreign exchange cost of the plant, a syndicate of British banks has agreed to give credit to the value of £11½ million. The rate of interest will be 1 per cent above the prevailing bank rate, but the credits will be drawn upon only towards the latter half of the second Plan. The UK Government have also offered a loan of £15 million towards the foreign exchange cost of the project.

THE OVERALL PROSPECT

The three agreements are characterised by a diversity in the modes of technical and executive operations and they reflect the flexibility that has been brought to bear in the negotiation of these deals, partly by experience and partly by the changed circumstances. The procurement of the services of the International Construction Co., London as consultants to the Ministry of Iron and Steel will undoubtedly prove of great help in guarding against extravagance and in getting expert advice. The problem of training an adequate number of personnel both for the construction and operation of the plants must pose a great challenge. It is estimated that below the foreman category about 15,000 technicians will be required for all the three plants and the requirements of supervisory staff from foreman upwards has been put at about 2,100. A provision has been made in the various agreements themselves for the training of key technicians and operatives abroad, which, however, will solve a part of this pressing issue. The plans for the layout of the three plants have taken into account the possibility of further expansion in later years. Thus the Bhilai plant provides for ultimate expansion to 2.5 million tons of ingots per annum and the Rourkela and Durgapur plants for expansion to about 1.25 million ingots each. The pace has now been set for a bold advance in steel expansion and as the momentum gains, the achievement of a target of 18 million tons of ingot steel by 1966 may not prove formidable.

Progress in the First Plan

The emphasis of the first Plan was on agriculture. It is explained by the fact that the first Plan was drawn up in a period of general shortage, more particularly so in the agricultural field. In the first Plan the total allotment for agriculture, community development and irrigation was about 35 per cent of the total expenditure, while industry accounted for only 8.4 per cent. As against Rs. 101 crores proposed to be spent in the public sector on industrial projects, the outlay anticipated now is merely Rs. 57 crores implying a serious shortfall of 43 per cent. In the total industrial component of the economy comprising both the public and private sectors, however, considerable advance was made during the first Plan in spite of the setbacks in 1952 and early 1953. The index of industrial production which stood at 105 immediately before the first Plan, rose steadily to 159.2 in 1955. The revised index shows the level of industrial production to have stood at an average of 125.7 during the first ten months of 1955. An analysis of production data shows that not only were some new products manufactured for the first time in the country, but there was also diversification of production leading to manufacture of articles under the same classification, but of different sizes, range and qualities.

STATE-ENTERPRISES — DISMAL RECORD

During the first Plan a number of industrial projects were completed in the public sector. The progress of production and expansion of capacity must be considered to be quite satisfactory in the case of the Sindri Fertiliser Factory, Chittaranjan Locomotive Factory, Indian Telephone Industries, the Cable Factory and the Penicillin Factory. It is mentioned in this connection that the target of ammonium sulphate under the first Plan was only 315,000 tons, while the expected production now assessed is 326,000 tons. Corresponding figures are quoted about locomotives from 92 to 129; telephones from 25,000 to 50,000; cables from 470 to 525 miles and penicillin from 4.8 to 6.6 million mega units. Excepting these projects which consist of only two basic industries and the rest light manufactures, the overall picture in the public sector has little to commend itself. Progress has been somewhat behind schedule in the case of some Central and State projects which have taken much longer time to complete and to begin production than had been anticipated. This is true for instance of the Machine Tool Factory. The target of the lathes to be manufactured by this factory in the first Five-Year Plan was laid down as 1,600 (200 revised) but production by 1955-56 turned out to be only 77 lathes. Likewise the production of the U.P. Cement Factory, Nepa Factory and the Bihar Super-phosphate Factory turned out to be considerably below expectation. In the case of cement the production fell short by 20,000 tons, while in newsprint it fell by nearly 26,000 tons (the target being 30,000 tons). The Super-phosphate factory of Bihar Government had the worst tale to tell; production being absolutely nil by 1955-56.

In iron and steel, a new plant to be set up by the Central Government was expected to turn out 350,000 tons of pig iron by 1955-56, and the expansion scheme of the Mysore Iron and Steel Works was expected to yield an additional 60,000 tons of finished steel by the same year. These targets could not be achieved by the end of the first Plan. The imaginative and bold planning for three new plants in the public sector has been discussed in elaborate detail in another article in this Supplement. As regards the heavy electrical plant, which was suggested to be taken up for implementation in the last years of the period of the Plan, much valuable time was consumed in re-assessing the requirements and demarcating spheres of

production for the public and private sectors and in the result no investment of any magnitude was made on this project during the first Plan period. While technical difficulties in negotiating a complex project like this cannot be under-estimated, procrastination is apparent in handling its preliminaries. Undoubtedly, a creditable thing in this deal was that an agreement was signed with Associated Electrical Industries Ltd. for the implementation of this project. The state of the ship-building industry leaves much to be desired and it is obvious that the major blame ought to be laid at the door of the French firm. Its target under the first Plan was 20,000 GRT; production as now assessed by 1955-56 was only 13,000 GRT or 33 per cent below the goal. It must be conceded forthwith that the steel plants in the public sector involved long time on account of their complexity, the large investments involved and the necessity of carrying on negotiations with foreign parties in regard to both technical and financial assistance, but it is difficult to understand the delay taken in reassessing the requirements and demarcating the spheres of production as far the heavy electrical plant is concerned. The shortfall in the investment in the public sector on the whole was not less than 43 per cent in financial terms.

PRIVATE SECTOR ACTS

In the private sector on the other hand, the total investment over the Plan period was about Rs. 340 crores as against Rs. 333 crores in the Plan for new projects, replacement and modernisation. Considerable development took place in the private sector. The Plan had emphasized as the first priority the achievement of higher levels of production through intensive utilisation of existing capacity. This objective was broadly fulfilled and production targets were achieved in cotton textiles (mill sector), sugar and vegetable oils. Increases in production from unutilised capacity as well as from significant additions to production capacity were secured more or less in accordance with the targets which were set in cement, paper, soda ash, caustic soda and other chemicals, rayon, bicycles, and certain other industries. So far as the shortfalls in the private sector are concerned, they were only marked in aluminium and nitrogenous fertilizers. In one group of industries the shortfalls in production were on account of lack of domestic demand. These include some of the light engineering industries such as diesel engines and pumps, radios, batteries, electric lamps and hurricane lanterns. In some industries production remained below target level on account of reduced export demand. Shortfalls in investment in certain industries occurred principally through conditions beyond the control of the managements, which obtained generally during the first two years of the Plan.

On a broad view the results achieved during the first Five-Year Plan in the private sector were unquestionably more than satisfactory. Among the basic industries, the rise in the output of coal was fairly substantial. The net assessment of progress in the industrial component of the Plan cannot fail to highlight the contribution of the private sector which more than offset strategic shortfalls in the performance of the public sector. The prevailing temper of decrying the utility of the private sector of industry and business has rightly invited strong criticism from the World Bank Mission which has underlined the fact that 90 per cent of the increase in net output in the organized sector of manufacturing and mining has come from this sector alone.

Financial Working of Public Enterprises

THE entry of the Government into the industrial field in this country, it is often explained has been determined in most cases not by the expectation of making profit but rather by certain non-fiscal objectives, which reserve the broad public purpose of building basic resources for industrialisation on which this country has embarked vigorously. The urges which have induced the State to undertake industrial activity are: (a) the undertaking of heavy public utilities which are not expected to be remunerative in the short period; (b) the setting up of basic industries of national importance such as steel and fertilisers to assist in broadening the base for industrial and agricultural development; and (c) the establishment of certain capital goods industries. Like machine tools, the returns from which are not immediate or certain. Looked at from this standpoint, the objective of the Government is no doubt unassailable. But these considerations cannot by themselves justify the enlargement of the State's role in industry in this country in view of the limited nature of capital resources. In conditions of economically under-developed economies, public enterprise, fostered at State expense, should aim at playing a role in financing the country's development. It is seen, however, that the new projects in India are expected to become barely productive just to meet the costs of maintenance and overheads, interest and depreciation charges, only after the lapse of some years from starting operations. Among the public enterprises in India, with the exception of a few like Sindri Fertilisers and Indian Telephone Industries, none is able to make any substantial profit, and most of them are running at a loss. A policy of 'no profit no loss' may be appropriate for public utility enterprises and this formula may be acceptable in the early stages of development of enterprises where enough capital is not coming forward from the private sector. But many public enterprises threaten to be a long-term liability. This must not be allowed to happen and reasonable profit margins ought to be achieved.

RECURRING LOSSES

In recent years there has been increasing socialisation or State participation in economic activity in some Western democracies like the UK and France. But the operations of State enterprises have not always been an unqualified success, and often they have shown deficits. Thus, in Britain the aggregate deficits of the National Coal Board, British Airways and the Transport Commission were £21.2 million, £2.4 million and £27.3 million respectively for the years 1947 to 1953. Only the Central Electricity Authority and the Area Gas Board made substantial profit.

A similar picture is offered in India but here State participation is motivated by the necessity to start strategic industries and partly by the objective of socialism which has now been formally accepted. On several aspects of the organisation of State enterprises the reports of the Estimates Committees make sad reading. During the third year of its working ended March 31, 1955, the Hindustan Shipyard suffered a net loss of Rs. 47,348.6 after adjusting the subsidy of Rs. 52,46,000 paid in respect of two ships sold during the year at UK parity prices. The net losses of Rs. 15.5 lakhs in 1952-53 and Rs. 7.7 lakhs in 1953-54 were likewise met by special subsidies from the Government. Like the Swiss firm of experts chosen for machine tools, the French firm in charge of the Hindustan Shipyard has committed, from the start, grave errors of judgment and its technical advice has been much below expectation. Delays in delivery aggravated by changes in ship designs increased capital costs.

However, the outturn of work in the last completed year (1954-55) at Rs. 211 lakhs was more than the best output ever attained previously in as many as fourteen

months from January 1951 to February 1952 when the shipyard worked for its maximum output. Compared with 1952-53, a period of 13 months, and 1953-54, the cost of works done in 1954-55 shows an improvement of more than 65 per cent and 80 per cent respectively. This, no doubt, shows a progressive trend. But the Government has already given considerable help to the shipyard. There are, however, weighty and valid grounds for State assistance for a further period. Unlike shipyards in other advanced countries, this yard is labouring under several handicaps ranging from steel shortage to easy dry dock facilities. The strategic character of the industry argues for the burden and even in other countries Governments had to adopt the same course. Likewise, the Hindustan Housing Factory has been incurring recurring losses. In the first year of its production, 1954-55, the Hindustan Cables made a loss of Rs. 2½ lakhs. In view of the fact that almost all the State enterprises are of recent origin, it would be premature to make any sweeping criticism of inefficiency. The initial teething troubles are common for public and private enterprises, and in fairness it should be conceded that many of the private industrial concerns have grown to their present status partly through protective tariffs and other forms of State assistance.

THE BRIGHTER SIDE

This is not to say that public enterprises have not rendered a good account of financial management. Sindri Fertilisers, the Hindustan Aircraft Factory and the Indian Telephone Industries are cases of profitable working of Government concerns. The Sindri Fertiliser Factory, built at a cost of about Rs. 23 crores, started production towards the end of 1951 and showed a net profit of Rs. 95,000 over a period of 14 months ending March 31, 1953. The financial position of the company continued to remain satisfactory in the succeeding years, and the profits for 1954-55 were higher by about Rs. 100 lakhs than those of the first year of working. This is notwithstanding the remarkable fact that the prices of fertilisers were progressively reduced from Rs. 350 per ton in 1951-52 to its present figure of Rs. 270. The Chittaranjan Factory has exceeded its production target and the cost of the indigenous locomotives compares favourably with imported ones if due allowance is made for the situation in which this plant is functioning. Production control, proper system of inspection, scientific costing and incentive bonus contributed considerably to the higher productivity of Chittaranjan Locomotive Works.

TOWARDS SELF-SUFFICIENCY

It may be remembered that a substantial part of the capital resources of public enterprises is derived from loans on which interest charges are payable, whereas in private enterprise equity capital and self-financing are usually more important. Liability to pay interest, therefore, is generally much larger in respect of public undertakings and this causes an apparent reduction in their net returns as compared to private enterprises. It will be an admirable goal for public enterprises to strive to increase reserve funds and depreciation funds. But in view of the capital-intensive and unremunerative nature of many of them, this aim may not be realised early. The basic requirement is thus to increase the earning power of the enterprises through economy and rationalisation. It can be seen from the available balance sheets of public enterprises that the gap between the invested sum and the reserves is particularly big, and this underlines the necessity for investment in proportion to each concern's own capitalisation. This is a dictum of sound business management. But it is obvious that a considerable period will have to elapse before the public sector can find itself in a position to act up to it.

Notes on Selected Projects

SINDRI FERTILIZERS AND CHEMICALS

SINDRI has not only filled an important gap in the national economy but has also recorded a proud rate of rise in production during the last five years. It has also played an important role in the battle against food shortage by turning out more than 1.2 million tons of ammonium sulphate, thus saving about Rs. 40 crores of foreign exchange. The demand for fertilizers, however, is much above the current supply (both from the public sector and the private sector) as is evident from the fact that total imports of fertilizers — nitrogenous as well as phosphatic — cost India nearly Rs. 2.20 crores in 1955-56. The additional demand is planned to be met in the Second Plan by setting up three new factories at Nangal, Rourekala and Neiveli.

SINDRI FERTILIZERS AND CHEMICALS LTD.

(Financial Working Results)

Serial Number		Year ending March 1954	Year ending March 1955
1.	Profits before providing for depreciation and interest on loans	Rs. 3,15,46,800	Rs. 3,95,61,835
2.	Provision for depreciation	1,68,81,404	1,66,64,872
3.	Additional provision for repairs and renewals	52,71,202	29,76,777
4.	Interest on loans to Government of India at 4½ per cent per annum	46,42,053	26,48,002
5.	Balance = (1) — (2) — (3) — (4)	47,52,141	1,72,72,184
6.	Amount brought forward from the preceding year's account	95,883	6,16,728
7.	Amount available for disposal = (5) + (6)	48,48,024	1,78,88,912
8.	Development Expenditure written off	42,31,286	44,71,587
9.	Allocation to General Reserve	Nil	94,00,000
10.	Dividend to Shareholders at 2 per cent per annum on Rs. 17 crores	Nil	34,00,000
11.	Balance Carried forward	6,16,728	6,17,325

CHITTARANJAN LOCOMOTIVE WORKS

THERE can be no hesitation in conceding the public sector's claim that Chittaranjan Locomotives constitute its master performance. The project of indigenous manufacture of locomotives which was systematically put off from time to time was launched at Chittaranjan and followed up with efficiency and success. In the first Five-Year Plan the production target of 268 locomotives was overfulfilled and pushed to 341. In terms of monthly output rate, since July 1955 Chittaranjan stepped up production from the target of 10 to 11 which was recently raised further to 12.

The current higher production costs at the works in relation to those of imported locomotives may be treated as the price of experience in a basic heavy industry. But present costs do not compare very un-

favourably with imported costs on due consideration of factors of differentials in operation. As the second Five-Year Plan target of 300 comes to be achieved, economies of large-scale production accompanied by more rigorous control of methods of working would enable parity to be achieved with UK and Japanese landed costs in respect of WG locomotives under TCM programme. In that event, assuming the average cost in 1954-55 at the works, an economy of Rs. 1.41 crores per year would be effected. Chittaranjan has adopted a scientific cost accounting system as also a system of piece-work rating and incentive bonuses which have helped efficiency. Once the backlog of requirements of WG locomotives is substantially cleared the management would be enabled to turn in earnest to the production of WP type of locomotives.

HINDUSTAN MACHINE TOOLS

WHEN it is recalled that Hindustan Machine Tools Ltd., have been provided with an issued capital of Rs. 4 crores, Government's anxiety to allow no impediments within its control to delay and obstruct the progress of initial work is quite obvious. And yet this enterprise proved to be one of the most inefficiently and extravagantly managed enterprises of the public sector. Management and control of the enterprise was transferred to this company on 1st March, 1953, but an agreement for technical collaboration was already entered into with Messrs. Oerlikon Machine Tool Works, Buehrle and Co. of Zurich who became partners in the enterprise.

The scathing criticism made by the Scafe report of the manner in which work at every single stage was mismanaged involving the exchequer in heavy financial

liability has now become too familiar to the public. The sins of omission and commission have been put at the door of the Swiss firm of Messrs. Oerlikons. It was a fortunate circumstance that the parallel of the operation of the industry in the private sector was available to assess the progress of Hindustan Machine Tools in so far as valid comparison could go. The agreement with the technical collaborator has not been energetically pursued, large waste of funds has taken place and several irregularities have been committed. Certain items of payment to Messrs. Oerlikons have been questioned by the Estimates Committee as contravening the terms of the agreement and compensatory measures have been urged. The Committee has taken a grave view of the situation and has deferred its final report until clarification from the Government of action taken on its preliminary recommendations. This is an unusual course. The immediate production programme envisages concentration on 8½" centre lathes to be followed by diversification in types and sizes. Progress of technical training has been tardy and on the production front the sum total of performance was assembly of 12 lathes and marketing of 2 lathes by the end of 1955. The machine tool industry will provide a testing ground for co-existence of the two sectors on the professed principles of non-discrimination and co-ordination.

HINDUSTAN SHIPYARD

ELSEWHERE in this Supplement important aspects of the working of Hindustan Shipyards at Visakhapatnam have been dealt with in some detail. A brief reference to the progress of the yard should suffice here. On balance, it would appear that the management of the yard is putting in much effort to straighten out its knotty problems and bring efficiency into it. It must be remembered that shipbuilding anywhere else has been fostered by direct State assistance which has taken the form of financial help or legislative protection to the extent, in the case of certain countries, of compulsory purchase of home manufactured ships in the first instance. The predecessor owner—Messrs. Scindia Steam Navigation Company—deserves unequalled credit for undertaking this highly risky venture without State help. This is a shining example where the private sector's initiative and enterprise have been responsible for laying the foundation of a key industry.

The Shipyards technical collaborator — La Societe Anonyme Des Ateliers et Chantiers de la Loire (ACL) — has committed many lapses and the failure to observe the production schedule has been largely due to its erroneous judgment. The major drawback in the yard's working is inordinate delays in delivery. It has now overcome the onerous burden of surplus labour. Subsidy is paid to the yard on the basis of the UK parity price, but since Indian companies using Visakh ships have to compete with foreign companies using lower-priced ships manufactured in other countries, a change in the basis of parity price is under active consideration. The yard's main achievement is manufacture of Maier form ships of modern design propelled by diesel engines. Standardisation of type will facilitate improved speed as well as costs and it is now being investigated.

HEAVY ELECTRICAL EQUIPMENT PROJECT

THE heavy Electrical equipment enterprise which the Government has finally decided to set up marks a crucial stage in the expansion of basic industries in the public sector as also in the economy as a whole. Much spare work had to be done even in coming to a decision on the desirability of establishing the

project and it would certainly be most unrealistic to underrate the serious difficulties in negotiating a technical deal in this highly complex sphere. When these inherent handicaps are conceded, it still remains a matter for genuine consideration whether procrastination on the part of the Government has not aggravated the situation. In the meantime, commissioning the plant into production has been delayed in some measure by avoidable causes.

The negotiations, however, have ended in a satisfactory agreement which was entered into on 17 November 1955 with the Associated Electrical Industries Ltd. of the UK—a group of twelve British concerns with long established reputation for the manufacture of this equipment. Associated Electrical Industries are to act as consultants for a period of 15 years. An important condition in the agreement provides for training of Indians in processes from designing to manufacture. Fifteen items of equipment have been selected for production in the first instance of which three are made contingent on a supplementary agreement with the consultants. The entire project is estimated to take about eight years to be completed, while the first phase of production will start towards the close of the second Plan. Outlay of Rs. 20 crores has been earmarked in the present Plan. The site of the plant will be located near Bhopal.

HINDUSTAN ANTIBIOTICS

THE Government of India's original project to set up a plant for the manufacture of penicillin came to fruition with the added advantage of the collaboration of the UNICEF and UNTAA. The management of the Penicillin Factory at Pimpri near Poona, was transferred to the Hindustan Antibiotics Ltd., on 1st June, 1954. Its authorised capital is Rs. 4 crores. This is one of the public sector's enterprises run with a progressive record having exceeded its target in the first Plan. It took over the Penicillin Bottling Plant at Bombay from the former Indian Penicillin Committee on 1 February, 1955.

The first consignment of Penicillin produced at the Pimpri plant was sold on 12th September 1955, involving a time-lag of more than 15 months after the present company was set up. The original target of production of 3.6 to 9 million mega units per annum is raised to 15 million mega units through utilisation of better yielding strains and improved manufacturing techniques. Installed capacity is to be raised by 60 per cent at a cost of Rs. 42.35 lakhs to produce 25 to 30 million mega units. Production of streptomycin and bicillin are additionally on the programme of expansion. The Company has to labour under the severe handicap of fixing selling prices for bulk penicillin below production cost—a decision forced on it by foreign dumping on the market. The ratio of 21 per cent of cost of staff to sale price of total products needs to be read in the light of this factor. Nevertheless the criticism remains unanswered that the proportion of supervisory staff in the two important production and engineering sections is excessive.

HINDUSTAN CABLES

THE primary object of setting up this factory was to meet the demand of the Posts and Telegraphs Department for various kinds of armoured cables which, according to the most recent estimates, is as high as 800 miles per annum. On a single shift basis, the installed capacity is rated at nearly 470 miles per annum but the output of the factory has been estimated at 325 miles in 1955-56 as against the actual production of

OUTPUT OF LOCOMOTIVES

	Chittaranjan Locomotive Works		Tata Locomotive & Engineering Co.	
	(Public Sector)		(Private Sector)	
	Target (Numbers)	Production (Numbers)	Target (Numbers)	Production (Numbers)
1951-52	20	17	7	10
1952-53	32	33	30	30
1953-54	52	64	33	22
1954-55	72	98	50	47
1955-56	92	129	50	50
TOTAL	268	341	170	159

413 miles of cables between September 1954 and November 1955. By the end of 1956, the capacity is proposed to be doubled to produce 1,000 miles of cables per annum; there is every possibility of a small surplus emerging after meeting the requirements of the Posts and Telegraphs Department, and other Government Departments such as Railways and Defence.

This factory will enter upon a bold new phase in its career to facilitate the rationalisation of India's telephone network. Plans are underway for linking major cities in India by an underground telephone cable network during the second Plan and the manufacture of 300 miles of coaxial trunk cables per annum is proposed to be taken up in the factory. The Central Government has already made a provision of Rs. 10 lakhs as loan to the Hindustan Cable Ltd. in the Budget Estimates for 1956-57. The factory, managed and controlled as a private limited company since August 1953, went into production in September 1954. The delay committed in completing the preliminaries is now being compensated by improvement in the rate of output.

HINDUSTAN INSECTICIDES

HINDUSTAN INSECTICIDES was started by the Government of India with the financial and technical assistance of UNICEF and UNTAA as in the case of Hindustan Antibiotics. It has entered into an operating agreement with the Delhi Cloth Mills which runs its chemical works as an integral component. The factory went into production on 25th March, 1955. Its performance in each direction is far from adequate. The anticipated rate of production of 1½ tons per day to be stepped up to 2 tons per day in March 1956 could not be realised according to schedule and considerable effort was required to push production to a rate of 1 ton per day which was finally reached in December 1955. Recent progress has been faster and towards the end of the first quarter of 1956 the rate rose to 1½ tons per day. This improvement should encourage the hope that the rate of output would be increased to 2 tons per day without avoidable delay. Plans for doubling the capacity of the Delhi plant are advancing well and financial provision of Rs. 21.24 lakhs has been made in co-operation with the two UN agencies.

The Estimates Committee's scrutiny of this firm's management has led to considerable adverse findings some of which are vital and of general application to State enterprises. The Committee has declined to accept the explanation of delay in finalising the project and carrying out the production programme and in particular it has expressed itself strongly on the quality of the technical assistance actually provided by the foreign agency concerned. It has also made observations on certain aspects of the agreement for indigenous collaboration.

NAHAN FOUNDRY

NAHAN FOUNDRY LTD., Nahan (Himachal Pradesh) manufactures agricultural implements, mainly cane crushers. The foundry passed through its first year

of crisis in 1952-53 when the output of cane crushers had to be curtailed to 1,500, as against the normal production of 3,000 per year, due to poor demand and severe competition from the private sector. The manufacture of new items such as centrifugal pumps, paddy thrashers, cast iron anchor plates and certain non-ferrous articles for the Railways and cast iron saddles for the Posts and Telegraphs Department was taken up. This foundry has resorted to the technique of letting crane crushers on hire during the crushing season — a course which had to be adopted to stimulate popularity of the equipment.

This State-owned factory incorporated on October 20, 1952, was formally transferred to the present company on January 1, 1953. The management is in the hands of a Board of Directors appointed by the President of India. All the shares of the value of Rs. 40 lakhs are held by the President. The financial and managerial efficiency of the foundry is anything but satisfactory. The loss of Rs. 9,714 in 1954-55 as against a profit of Rs. 21,748 in the previous year is attributable only partially to the depressed state of the market. But the management's contention about the impact of inferior quality cannot hold water. In course of time the public sector will be expected to justify its role in the absence of semi- or near-monopoly conditions.

NEPA PAPER MILLS

THE Indian press has so far depended on imported newsprint for its day-to-day needs, though the consumption of newsprint has not reached the expected level of 100,000 tons by 1955-56 as is shown in the table below:

	(Thousand Tons)
1951-52	50.0
1952-53	54.0
1953-54	70.0
1954-55	79.0
1955-56 (Estimated)	75.0

Nepa Paper Mills had a chequered career until the beginning of the last calendar year. The tardy progress registered until 1954 was due to a variety of causes among which bureaucratic procrastination was undoubtedly a major one. Experimental production started only in January 1955; in the beginning mechanical pulp from the factory and imported chemical pulp was used. The Nepa Mills are expected to produce, when in full production, 30,000 tons of newsprint based on the utilisation of chemical pulp from bamboo and mechanical pulp from salai wood. The production of newsprint in 1955-56 is estimated to be 4,200 tons only. The main relief which this enterprise deserves is in respect of pricing policy vis-a-vis imported newsprint.

INDUSTRIAL PROJECTS IN THE PUBLIC SECTOR

Name of Scheme	End of First Plan			Second Plan		
	Investment (Rs. Crores)	Capacity	Production (estimated)	Investment (Rs. Crores)	(Capacity 1960-61)	Production (1960-61) (Estimated)
Three Steel Plants (Rourkela, Bhilai and Durgapur)	7.75	—	—	350	Finished Steel 2.3 m. tons. Pig Iron 680,000 tons for foundries	Steel 2.0 m. tons, Pig Iron 450,000 tons for foundries
South Arcot Lignite Project	0.5	—	—	52.0 (a)	Lignite 3.5 m. tons Lignite briquettes 714,000 tons Power 211,000 KW, Nitrogen 70,000 tons Nitrogen 117,000 tons	Lignite 3.5 m. tons Lignite briquettes 714,000 tons Power 211,000 KW Nitrogen 20,000 tons Nitrogen 117,000 tons
Sindri Fertiliser Factory	28	70,000 tons of Nitrogen	66,000 tons of Nitrogen	7	Nitrogen 70,000 tons	Nitrogen 40,000 tons (c)
Nagpur Fertiliser cum-Heavy water Factory	—	—	50,000 GRT (51-56)	22	—	75,000—90,000 GRT (56-61)
Hindustan Shipyard	6.0 (51-56)	—	—	9.8	—	—
Rourkela Fertiliser Factory	—	—	—	8	Nitrogen 80,000 tons	Nitrogen 80,000 tons (c) (d)
Heavy Electrical Plant	0.2	—	—	20.0 (e)	Given below	Production Commences 1960
Hindustan Machine Tools	4.4	n.a.	Lathes and Components worth Rs. 0.25 Crores	2.0	Lathes 400 milling and drilling machines	Equipment with Rs. 7.5 Crores
D.D.T. Factories	0.5	700 tons	284 tons	1.0	2,800 tons	2,500 tons
Hindustan Antibiotics	2.1	4.8 m. mega units	6.64 m. mega units	1.0	24 m. mega units and Streptomycin 15,000 to 20,000 kg	24 m. mega units Streptomycin 15,000 to 20,000 kg.
Hindustan Cables	1.6	Cables 470 miles (Single Shift)	Cables, 5,25 miles	0.5	Cables 1000 miles Coaxial Cables 300 miles	Cables 1000 miles Coaxial Cables 300 miles
National Instruments Factory (including optical glass project)	0.6	Insutment worth Rs. 40 lakhs	Instruments worth Rs. 14.2 lakhs	0.65	n.a.	n.a.
Salt Development	0.3	—	84.6 m. mds. (Public and Private Sector)	2.0	—	100 m mds. (Public and Private)
Chittaranjan Locomotive Works	14.6	120 locomotives	125 locomotives	5.0	300 locomotives	300 locomotives
Integral Coach Factory	5.2	—	20 Coaches	10.0	350 Coaches	350 Coaches
New M.G. Coach Factory	nil	—	nil	7.0	nil	nil
Engineering Shops for Spare parts	nil	—	nil	0.5	n.a.	n.a.
Indian Telephone Industries	4.1 (f)	—	Telephones 50,000 Exchange lines 35,000	—	—	Telephones 60,000 Exchange lines 40,000
Teleprinter Factory	—	—	—	0.75	n.a.	n.a.
Security Paper Mill	—	—	—	2.5	1,500 tons	1,500 tons
Total Investment	75.8	—	—	501.7	—	—

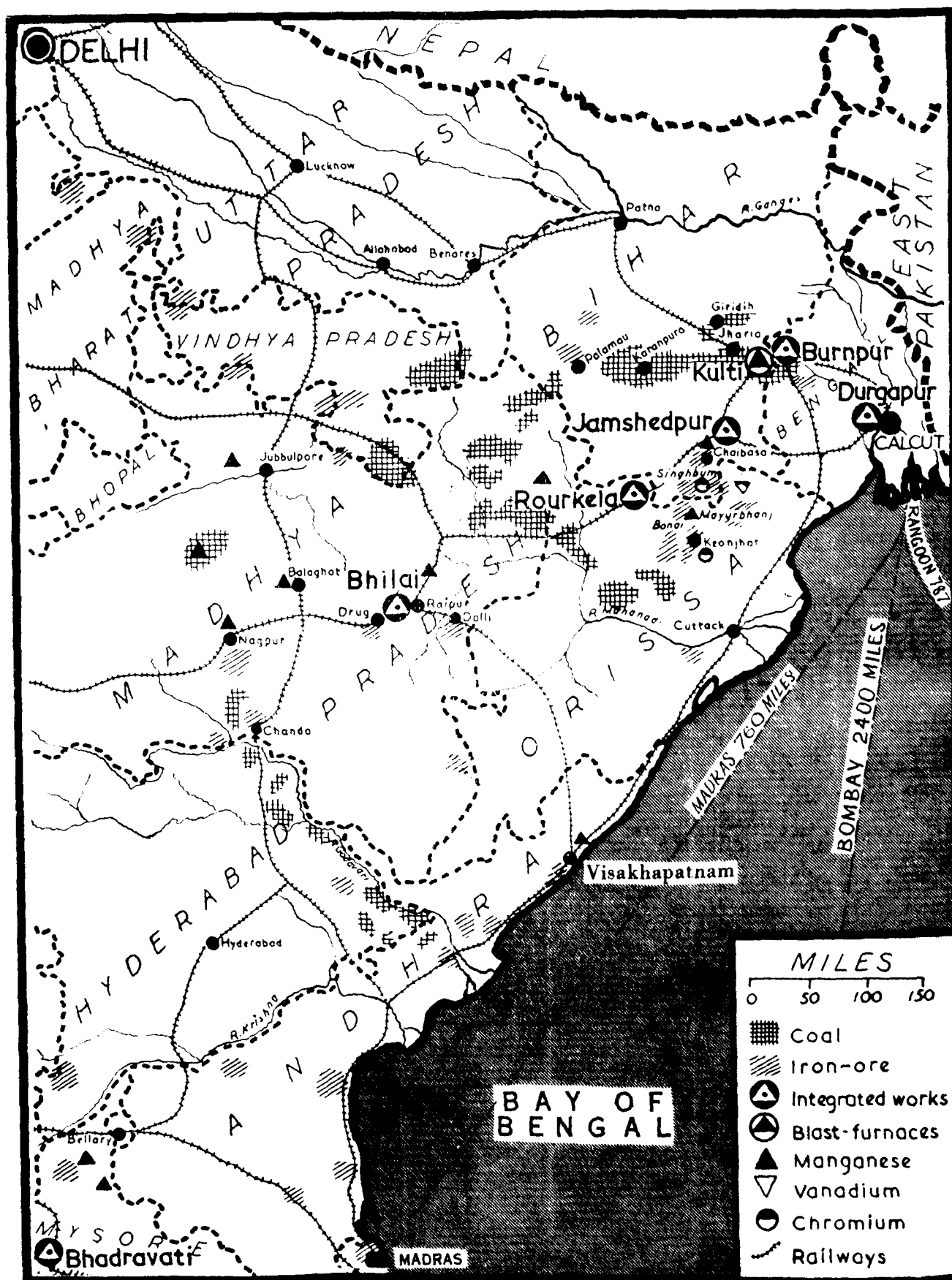
(a) The total cost of the project on completion is estimated at about Rs. 68.85 crores. (b) Expected to be in full production by December 1960. (c) Expected to be in full production by the end of 1959. (d) The total cost of the project is estimated at Rs. 16.0 crores and the provision made would be reviewed at the appropriate stage. (e) The total cost of the project on completion is estimated at about Rs. 25 crores. (f) Excludes Rs. 31 lakhs invested by the Mysore Government.

The list of items for manufacture in the proposed Heavy Electrical Equipment Factory: 1. Hydraulic turbines and generators, 17,500 kw. per annum. 2. Generators for Diesel Sets, 34,000 kw. per annum. 3. Transformers 33 kw. and above, 500,000 KVA per annum. 4. Current and potential transformers—Suitable number. 5. Static capacitors, 54,000 KVA per annum. 6. A.C. Circuit breakers—11 KV and above. 7. Direct D. C. Circuit breakers—Suitable number. 8. Switch boards and Control Desks Suitable number. 9. Direct Current Machines 7,000 KW per annum, Generators and Exciters—reqd. number of units. 10. Traction motor apparatus and equipment, 75,000 H.P. per annum. 11. A. C. Industrial motors, ratings of 200 H. P. and above, 50,000 H. P. per annum. 12. Industrial Motor Control—within the range of motor ratings for State Factory.

Source: Second Five-Year Plan.

THE LOCATION OF THE NEW STEEL PLANTS

(at Bhilai, Rourkela and Durgapur)



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Railway Rating Policy

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Objectives of Rate Revision

THE Railway Freight Structure Enquiry Committee is reviewing at present the question of freight rates with the specific purpose of modifying the scheme of rates to suit the new requirements of the economy. There is still time enough for final thoughts to be given to the precise form of revision. This Blue Supplement discusses the structure of freight rates against the background of its evolution which ought to be taken into full account in any scheme of reform.

The present revision will be the second in the post-war period, the first one having been introduced in 1948. The short period within which another revision has been found necessary need not cause any surprise at all. Since the end of the war the pace of development of the economy has been proceeding at a rapid rate and it has been discovered that railway rate structure is not wholly conducive to this development. One major reason for the public demand for revision of the rate structure was that in the post-independence set up railway rate policy should accept developmental requirements as one of its guiding principles. The terms of reference of the Enquiry Committee incorporate this principle. The modifications which will be necessary to respond to the needs of industry and trade in the light of development will be modest and it is an error to suppose that far-reaching concessions will have to be granted which would upset the balance in railway finances.

The demand for reasonably favourable rates for the transport of goods required for development cannot be considered as partisan by any stretch of reasoning. It is based on the broad principle of benefit to the entire economy. No less an independent and high-powered body than the Tariff Commission has recorded its findings repeatedly in a number of enquiries that the incidence of transport cost on new expanding industries must be reduced by special rates. This is in fact the crux of the demand for the reform of the rate

structure. It should be obvious that the margin of special rates will have to be enlarged on an adequate scale if railway rate policy is to function as one of the instruments of development.

The last revision of railway rate structure carried out in 1948 undoubtedly made for a good deal of simplification and rationalisation. Its outstanding feature was the introduction of telescopic rates on the basis of continuous mileage irrespective of the frontiers of individual railways. Under the earlier revision of 1936 the tapering scale ended with the boundaries of each railway. It cannot, however, be said that the reform of telescopic rates has been carried to the final stage. The length of the first leg is fixed at 300 miles. This is inordinate. It is also co-extensive with the normal distance covered by the bulk of the traffic. In effect, therefore, the majority of goods are deprived of the benefit of telescopic rates. Here is one strategic point where reform is badly needed.

The issue of the liability of railways as the principal carriers of goods in this country has led to great controversy. At present railways enjoy the sheltered position as bailees, and not common carriers, of goods entrusted to their charge. This position has worked great hardship on consignors, while considerable premium has been put on negligence, inefficiency and unsocial practices when goods are in transit. In recent times there has been a phenomenal increase in claims arising out of damage to or loss of goods and the cost of compensation borne by the railways has shot up twenty times as much as before the war. Nearly four-fifths of the goods are carried at owner's risk just because the surcharge levied for carriage at railway risk is heavy. Certainly it cannot be argued that this surcharge represents the actuarial valuation of risk. There is no reason why the majority of consignors sending goods at their own risk should be penalised. It is high time the existing position was changed to place reasonable risk on railways.

Are Rate Differentials Justified?

(This Blue Supplement has been written entirely by two authorities on the subject, MR. J. E. CASTELLINO and PROF. A. S. DESHPANDE)

"TRANSPORT is civilisation" is a statement, the truth of which seems to be re-discovered by every generation in every country. Of the many forms of transport, none is so big and vast, so diffused and extensive, so important and necessary as the Railway. The application of steam to transport in the 19th century—today oil and electricity have further improved the means of locomotion—caused an economic revolution, both on land and on sea. Mechanisation was on the move, and the Iron Horse completely outstripped the pack-animal and the tow-boat, the ox-cart and the horse-carriage and usurped the paramount position among all forms of transport. But history plays strange tricks. In some countries, the railway system has, by a complete turn of the wheel of fate, become a white elephant; in India, it is, symbolically enough a milch-cow.

Railways, as is well-known, are a very expensive and a monopolistic organisation; and, therefore, they find it not only profitable, but also necessary, to adopt a system of differential rating, by which means all kinds of traffic are carried at all levels of charges, to the advantage of all. Though just and economic, this exploitation has come in for a good deal of criticism, not only unjustified but stemming mostly from an incorrect appreciation of the economics of rail transport. It is often forgotten that sheer economic necessity compels the railway to cater to all types of traffic at varying levels of rates. It is overlooked that, once the stupendous organisation is geared to the wheels of progress, not even the least remunerative traffic should be refused, for any revenue, however small, is better than no revenue at all.

A differential system of charging provides the only means of obtaining the maximum utilisation of capacity in a large transport industry. Gaining on the swings what is lost on the roundabouts was happily facilitated by the monopolistic position enjoyed by the Railways—till a few decades ago in most countries, and even today in our great land.

There are, of course, two views on this controversial problem—from one end of the telescope emerges the salutary principle of charging what the traffic will bear; from the other, there is seen the satanic practice, through commercial greed, of penalising traffic to the utmost. Once it is accepted that certain heavy, bulky, low-priced commodities cannot bear heavy costs of transportation—the margin of place-utility being narrow—it is economic commonsense to transport them at less than full costs—if, of course, costs can be determined for each operation. Obviously, such meticulous allocation for costs in the vast and varied traffic is impossible. Hence the justification for carrying some kinds of traffic at charges which will meet at least the out-of-pocket expenses incurred in their transport and of transporting other more valuable traffic at comparatively high charges, which contribute towards the heavy overhead expenses.

FORMS OF DISCRIMINATION

Discrimination in charges is, therefore, justified both on economic and on social grounds. In the field of public finance, such discrimination is practised in all countries, the broader shoulders being called upon to bear the heavier burdens. On Railways, discriminatory rates have mainly taken three different forms. The first is the Personal Discrimination, which means that, as between different shippers of the same commodity, a particular patron is quoted a favourable rate. This favour was invariably shown in the form of a

secret rebate of a certain percentage of the freight. When this practice was not easily deceptive, when the nefarious game was exposed, favouritism to an individual shipper was camouflaged, and there developed the unsavoury practices of under-classification, free facilities, excessive compensation for real and even imaginary damages, grant of special credit, and so on. As the favours were shown to a few selected individuals, these were invariably sought to be kept secret from the public. When, however, they came to light, as they were bound to be detected sooner or later, public sentiment went strongly against the unsocial practice, because it amounted to a breach of good faith as between the railways themselves in their endeavour to maintain agreed rates. Eventually, pressure of public opinion compelled Governments in almost all countries to pass measures to prohibit such personal discrimination through the payment and acceptance of rebates in any form. Although most prevalent in the United States, in other countries this evil was not so widespread. Today, however, in all countries, Personal Discrimination has been prohibited by law and discontinued in practice.

The second form in which differential charging has been practised is known as Local Discrimination. Ordinarily, the railways accept the rule of the long and the short haul which enjoins that the rate for the longer distance shall not be lower than that for the shorter distance. A departure from this rule constitutes local discrimination. Railway laws, all over the world, however, do allow the railway administrations some degree of freedom to practise local discrimination, but lay down that it shall not be undue or unreasonable.

While not condemned by that name, Local Discrimination has been known in India. The restriction of the applicability of the schedules (which were generally on a telescopic basis) to local traffic only was a form of Local Discrimination. And, even though it was justified on the principle that the shortest route determines the rate, the equalisation of freight rates between Delhi and the major ports of India was also a species of the same genus. What is, however, not generally recognised is that such discrimination is not unreasonable.

The third form of differential charging is Commodity Discrimination, which is not only not prohibited by law but is an indispensable feature of railway-rating in every country. It is practised, through the instrument of classification, that is to say, through the grouping of the commodities with common characteristics in one class, through the distribution of the various commodities normally offered for carriage into various classes, and, then through the levying of charges at a different rate for each class.

THEORY OF CLASSIFICATION

There is unfortunately some suspicion that the classification of goods has been diabolically invented by the railways for the purpose of fleecing the public, under the guise of a systematic method of charging. This feeling is, of course, akin to that of the school-boy who thinks that Newton invented the story of the falling apple so as to inflict on him the study of the Law of Gravity! Railways did not invent the device of classification; they merely adopted it, just as the canals had earlier adopted it from the turn-pike system of roads.

The rationale of this method of charges is easy to appreciate. When roads were built by private opera-

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tors and a toll was demanded from the owners of carriages for the use of the roads, there dawned the realisation, on grounds of economics as well as on those of social justice, that the rich could pay more than the poor and that the additional revenue, so earned from the rich, could be used to maintain the roads in better condition for all users. Also, the traffic of the poor could be attracted by a lowering of the toll, and this without much extra expenditure.

Similarly, when canals began to operate, the waterway system was thrown open to any owner of a barge, on payment of a fee. It soon became apparent that much greater traffic could be obtained if charges were lowered for the merchandise in every-day use all over the country, but this objective could only be secured if, in certain cases, the charges were enhanced. Thereupon, a rough and ready system of classification came into force. It is interesting to observe that there were, in force, five classes on the canal systems of England. The rate of a penny per ton mile applied to dung, clay, lime and gravel not passing through a lock. Lime and stone was charged at 1½ d. per mile, and all other goods, wares and other merchandise and all other articles matters, and things not hereinbefore particularised, which had to bear a rate of 3d. per mile.

Here was a simple elementary classification which, though discriminatory in character, was yet easy to understand. Rugged justice was practised. "Ability to pay" was a good criterion. What was more natural than that the railways should similarly start with a very rough-and-ready classification, for it must not be forgotten that the original idea of the railway 'entrepreneur' was to provide merely a track on which traders could run their wagons. This idea had soon to be given up, as locomotives were not within the reach of all potential users of rail tracks, and, furthermore, chaos would reign supreme if private running of trains were allowed.

The evolution of railway classification is as fascinating as the evolution of economic thought. Starting with an almost elementary division of commodities into four or five categories, it has now grown into a fairly complex pattern, in which have been woven varying strands of justification for a wholesale and seemingly irreverent discrimination in charges. Earlier in the history of the railway, it was just commonsense that dictated this differential method of charge. Later on came thought, which rationalised the practice and found justification both on economic as well as social grounds for the system of differential charging.

From the very beginning when the canals evolved their various classifications, the toll was based on the principle of "the ability to pay." The canal companies did not actually handle the traffic, did not carry it, did not insure it. As is familiarly recorded, the haulage of a ton of potatoes cost them neither more nor less than a ton of apples. Yet the potatoes were charged half as much as the apples! Strange though it may at first have seemed, it was nevertheless true that a uniform rate per ton-mile would not have yielded sufficient revenues to remunerate the proprietors adequately, nor would it have redounded to the advantage of the country, since quite a large slice of traffic would have been cut off.

The earliest railway systems actually resembled the canals, in the sense that they only intended to provide the track, while the shippers were to arrange for the wagons to hold, and for the horses to haul, their goods: in other words, transportation was to be a function devolving on the user of the track. In these circumstances, it is not surprising that their systems of classification were based on the same principle, namely, ability to pay, as those of the canal companies. The

early classification in England enumerated only forty articles, which were divided into four classes. All the hundreds and thousands of unenumerated goods were legally chargeable as 'other articles' in the highest class. This classification was based on the fundamental conception—should it not more correctly be called a misconception?—that a railway was a toll-owner, not a carrier. Actually, the railway companies had to become carriers. To a toll-owner, the method of packing, damageability, relation of bulk to weight and the average size of a consignment do not matter in the least. To a carrier, they matter a very great deal.

THE ART OF RATING

A classification by itself is, however, nothing: it is only the foundation on which the edifice is to be built up—the frame-work to which the tariffs or schedules of rates are to be attached. Each group in the classification presupposes and requires, as its necessary complement, a table of rates chargeable on the scale. "The primary purpose of classification," in the words of the Railway Rates Tribunal, "is to assign each article or group of articles to a class, according to the well-known principles of classification with due emphasis on the elements which recognise distinctions from a transportation stand-point, along fairly broad lines, in order to meet the needs of trade and industry. None of the principles or elements should be controlling, but all that are relevant should be considered. Among them may be listed: weight per cubic foot and value per unit of weight, liability to loss, damage, waste, or theft in transit, likelihood of injury to other freight with which it may come in contact, risks due to hazards of carriage, kind of container or package as bearing upon the matter of liability or risks, expenses of, and care in, handling; ratings on analogous articles, competition between articles of different description, fair relation of ratings as between all articles but largely used for similar purposes, commercial conditions and units of sales, trade conditions, value of service, volume of movement for the entire country in either less than carloads or carloads, adaptability to movement in carloads, and carload minimum weight, just to carriers and shippers".

In the earlier stages, the railways quoted only standard class rates, varying directly with distance, but, in course of time, it was realised that, unless some commodities were given concessions in the form of lower rates, or exceptional rates, or commodity rates, such traffic would not be attracted to the railways, being unable to bear the prevailing class rates. To carry the traffic that is offering is one function; to create additional traffic is another. Flexibility in rating is thus an essential feature of railway commercial practice; and just as a large number of special rates would seem to indicate that the rating structure is not suited to the needs of commerce, conversely the absence of exceptional rates would appear to suggest that management is rigid and wooden-headed. As a result of experience over a fairly long period of operation, and in the absence of a change in rating structure in response to the changing needs of the community, the number of such special or exceptional rates increased very rapidly. This experience also serves to illustrate that a classification and a rate-structure are like a living organism; it can never be a static or inflexible or unchanging system. It is evolved over a period of time. It calls for an evolutionary response to the changing needs of trade and industry. It is a continuing process, never finalised. Every region has its demands; every age faces different problems; every governmental policy calls for a new approach. Rate-making is thus an adventure which calls for sobriety and judgment; it is an excursion which insists upon courage and caution; it is an art which demands the exercise of initiative; it is a science which requires a blending with intuition. Indeed, the responsibility is great, the challenge great, and the reward greatest—if the Fates are kind!

Classification on Indian Railways

THE scheme of charges that was evolved in the earlier stages of railway development in India consisted of only four classes and of two special rates, one for food-grains and the other for coal. Obviously, the number of classes was too small and the grouping could hardly be anything but arbitrary and elementary. Moreover, the Government of India did not allocate the various commodities to the different classes; they left the companies completely free to do this. The result was that the same commodity could be, and, in many cases, actually was, put into a different class by each railway. Thus, there was neither any uniformity in the classification, on all the railways, nor any affinity in the scale of rates charged by them.

NATION-WIDE VARIATIONS

The chaos prevailing not only in rating procedures but in booking methods had brought into existence a voluntary association of railways, namely, the Indian Railway Conference Association, which was helping in the evolution of uniformity in classification, in the basis of charges and in the provision of facilities for the booking for through traffic. On the physical handicap of a break of gauge was superimposed a man-made procedural variation in the scheme of things. No one could understand the different rules and conditions prevailing over the various railway systems of India. Even the railwayman himself was baffled by the complexity of the rules. At long last, the Tariff Simplification Committee of this Association succeeded in involving a general classification for through traffic and it was enforced on all railways from July 1, 1910. This was, indeed, a major step in the evolution of a general Classification of Goods on the Railways of India.

The World War of 1914-18 naturally caused an economic upheaval, and the Classification of Goods was further revised in 1922. In lieu of the existing four classes and two special scales, there were now introduced ten classes. This diversification, in keeping with the trend elsewhere, was primarily designed to satisfy the persistent, though not always consistent, demand of the business community. It was not really based on a study of statistical data, nor was it correctly aligned with the fairly rapid growth of agriculture and industry in the country on the impetus of World War I. The grouping of commodities into the different classes continued to be almost as arbitrary as before.

Fortunately, the Railway Board itself was conscious of these defects. With a view to evolving a more scientific basis for the railway classification and the rating structure, it invited, in 1933, the Indian Railway Conference Association, which had gradually evolved as a voluntary controlling-body of railways, to consider whether the number of classes should be increased; whether the class rates should be on a telescopic basis, and, if so, whether they should be applicable on the local distance or on the through distance; whether an assimilation of the schedule rates on the various railways was practicable and whether the schedule rates should be applicable on the local distance or on the through distance; whether terminal charges should be levied and, if so, whether they should be included in the class or schedule rates or be levied separately on a scale varying with the class, commodity, or condition of carriage; whether short-distance charges should be continued to be levied; whether some degree of uniformity in trans-shipment charges is feasible; and, lastly, what the difference between railway risk and owners' risk rates should be.

After much deliberation, a revised classification was put into force in May, 1936. Under it, the number

of classes was increased from 10 to 16. The class-rates were all on a uniform per maund per mile basis, while most of the schedules were on a telescopic basis. In through booking from one railway to another, the class or schedule rate per maund on each railway was calculated separately and added up to arrive at the aggregate rate per maund. This obviously meant that the advantage of telescopic rates was not available to the trading public on traffic traversing more than one railway.

What was even more tantalising was that the schedule rates (applicable to wagon load consignments only) frequently varied from railway to railway, even for the same commodity; and, even worse, while some railways attached schedule rates to a commodity, others did not. Even when two contiguous railways charged the same schedule for the same commodity, the rate per maund over each railway was 'separately' calculated. The result was that the benefit of telescopic basis did not extend beyond the length of haul over each railway. The historical justification of such an anomaly was, of course, provided by the separate identity of each railway administration which was governed by its specific contract with the Secretary of State.

CONTINUOUS TELESCOPIC RATES

This classification and rate structure was finally revised in 1948. In the new classification, the number of classes has been reduced from 16 to 15. There is also a very large reduction in the schedules which are now known as "wagon-load scales". This "simplification" has naturally come in for some criticism, for, historically, the growing complexity of business has been attended with a diversified classification on the railways, which is the handmaid of trade and industry. The class rates and the wagon-load scales taper over three "legs"; but here too there is the complaint that rationalisation is not fully achieved. While the distance-ranges for class rates have been uniformly fixed at 300 miles, the wagon-load scales present a bewildering variation: the first leg in some cases is as low as 100 miles, in others, as high as 300; again, the second legs cover 150 miles, 200 miles, and even 300 miles. There is also the queer position that, while a maximum rate per maund is quoted for each class rate, no such provision exists for wagon-load scales!

Fortunately, all the class rates and wagon-load scales are telescopic in construction and cumulative in effect. Thus, a consignment moving over more than one line now obtains the benefit of the diminishing basis of charge for the whole distance, and not for the length of haul on each railway, as it did before 1948. This is, indeed, a revolutionary step. The demand for telescopic or tapering rates had become a hardy annual against the railway administration. Expediency, not principle, had delayed its universal adoption. Today, the boast can legitimately be made that our rating system, in its frame-work at least, is logical and scientific.

On the twin principles of cost of service and value of service is based the scientific system of rail charges. As the length of haul increases, cost decreases; as the price of transport increases, the ability to pay charges decreases. From this it follows that only a tapering or a telescopic scale can be advantageous, both to the carrier and to the shipper. Ripley has expressed this conclusion mathematically in the statement: "The rate should vary with the square root of the distance". It is true that this ideal gradation is a will-o'-the-wisp. To approximate rates to this ideal, as far as it is practicable, is a desirable objective.

RATIONALISATION

As a result of the revision of classification in 1948, rationalisation has been imported into the freight structure to a large extent, but it would be little short of a miracle if there were not left any room for the complaint that some anomalies are still allowed to persist. There is, however, little dispute that the new rating system constitutes a substantial improvement over the previous classification, even though criticism is not entirely stifled. An omnibus system of classification must give rise to illogicalities. For example, even under the new classification, such low-graded commodities as ashes, earth, sand, clay and ordinary stone, as well as others relatively costly commodities, namely ballast, bone-meal, chalk, grain and pulses, pig iron, refractory bricks and slates, have been placed in class I. Similarly, in class II, bamboos are grouped with chemical manures, agricultural implements with saw dust, grass with billets and blooms, waste paper with straw board; and so on! Such grouping has given rise to the complaint that ordinary commonsense seems to have been ignored, since commodities which are in a raw state and are almost valueless, such as stone, earth, etc., are grouped with commodities like chalk or bricks, which have undergone some process of manufacture, however elementary.

Instances of this nature can be multiplied to show that even now there is considerable scope for improvement in the grouping of commodities into the various classes. What, however, is overlooked by the critics is that logic, if carried far enough, will lead to absurdity. It would require that each commodity should form a separate class by itself! It may, however, be urged that there is an urgent need for a revision of classification on our railways at the present moment, because the country has a plan for a rapid development of industries which could be fostered by the adoption of a more complex and diversified classification. The suggestion has been made that, since the complexity of classification should keep pace with the growing intricacy of the traffic pattern, inevitable in a dynamic milieu of economic development, there should be half a dozen principal groups, comprising, first, materials obtained from the earth without much labour or capital (i.e., sand), secondly, low-priced ores of various kinds and cheap products made from earth (i.e., ballast, bricks), thirdly, ordinary agricultural produce, fourthly, specialised agricultural produce (i.e., money crops) and heavy chemicals, fifthly, semi-finished goods and, lastly, finished materials in two or three categories with luxuries at the very apex of the grouping.

This is a sound suggestion. It does find some recognition in our existing classification, but there is still need for further diversification to suit the needs of a changing economy. On this basis, the grouping of commodities should follow a 'geometric pattern': in the lowest and in the highest class, there would be few commodities; in the neighbouring classes, the number of commodities would be larger; and the largest grouping would be at the centre of the scale. Judged from this angle, the present grouping would seem to call for revision, for, in the lowest class (i.e., class I), there are 49 commodities and in the highest (i.e., class 15) there are as many as 366, which, incidentally, is the largest number! Next in size are class 8 with 281 commodities, class 12 with 248, class 14 with 187 and class 3 with 177. Clearly, this is hardly suitable.

Reorientation or Readjustment?

PICKING holes in an argument is easy; it is equally futile. Criticism must be constructive, and it may be wise to acknowledge that, if complaints emanate from misunderstanding, there must be failure on the

The showing with wagon-load scales is equally disappointing. There are three scales which apply only to one commodity each! Another two have two commodities each grouped under them; the largest grouping is 34; the smallest is one! The ad hoc nature of the structure of the wagon-load scales is demonstrably exposed, and the need for a revision in the classification needs no further argument.

ARE THERE ANOMALIES?

Unfortunately, the few anomalies that still persist in our present classification have cast such a myopic web over the eyes of even responsible commercial organisations that they are unable to see its good points. It is incredible that there should be so much misunderstanding about classification on the part of respected trading bodies who might be expected to study the subject before venturing upon such violent criticism. It is conceivable that a Federation of Chambers of Commerce really thinks the Railway Official has taken leave of his senses and placed salt in the 7th, 13th and 14th classes, while foodgrains are correctly placed in the first class? The puzzle, if any, is easy to explain; in fact, there is no puzzle at all. Refined salt, Table salt and Aniline salt are vastly different commodities for purposes of classification, allied to common salt, only in name!

Similarly, there is really no meaning in the complaint that the "same goods under different description have been put in separate classes". It is more correct to say that they are really different commodities, masquerading under similar names! Surely, dried or salted fish, from the classification point of view, is not the same as Fish-in-tins, which must come in the category of oilmanstores. So also it would be fantastic to bracket Fresh Fruits with Preserved Fruits: these are two very different commodities! And from the test of loadability, tea chests in pieces are a much better proposition than such chests, made up! And a "returned empty" must need get preference over a mere empty! The traffic on the return is to be fostered: besides, is it not, in a sense, a by-product on which "full" value cannot be expected?

These so-called anomalies serve admirably to light up the whole approach to the problem of classification. A ton is a ton; a wagon-load is a wagon-load. But to the Railways, they can be very different propositions. One last "howler" will serve to make the point. It is really classic. Railways are actually assailed for according treatment to raw materials for paper (class I), when such materials for other uses are placed in a higher category (class 3)! On the one hand, developmental rates are demanded; on the other, Railways are castigated for granting them! Perhaps, it would have been more politic to quote special rates than introduce a lower classification. But, though this is wisdom after the event, was it not advantageous to the country as a whole that the concession should have been drawn outside the scope of challenge rather than that such concessional treatment should cause social and economic loss by a charge of undue preference, as was the experience with the special rates for gypsum to the Sindri Fertilizer Factory? True, the Tribunal held against the Associated Cement Companies, who had sought similar concession for their traffic in gypsum, that the preference was not undue, ruling that cement and fertilizer are not in competition. These examples should serve to show that the railway classification is a complex matter where various elements play their differing roles.

part of the railways to educate and to instruct. Moreover, not all criticism is misinformed, and railways would do well to take cognisance of various suggestions which could perhaps be adopted without much sacrifice.

rice of revenue and which, if implemented would possibly assist in the economic development of the country. Take, for instance, the plea that has been made for a lowering in the classification of hydrochloric acid, which is today charged at the highest rate. With it is also linked a request for a reorientation of freight policy towards allied products. It is said that the caustic soda industry by the electrolysis process is not being developed in the country because of the difficulty in regard to the disposal of chlorine and allied products. It is urged that, with improved consumption of such chlorine products as hydrochloric acid and liquid chlorine, with the greater use of chlorine for disinfection and purification purposes and with the utilization of hydrochloric acid for the finishing of steel, a great fillip to the chemical and steel industries would be given. This is a suggestion worthy of serious consideration at the highest level. There are also the few recommendations of the Tariff Commission, which surely merit attention. One relates to motor-cars, another to soda ash, the third to caustic soda. There is little doubt that the Tariff Commission is a responsible body, with considerable knowledge of the economic needs of the country. Its recommendations must be examined, at least, and if not acceptable, the trade associations should be advised. After all, the shaping of railway classification to the needs of basic industries has already been accepted (in the case of paper), and unless experimentation is encouraged, there would be stagnation.

THE LIMITS OF LOGIC

Classification is one thing; rating is another. Even with a scientific classification, hardship can be experienced just as, with a rule-of-thumb classification, economic justice may be secured. Classification is the law, as it were. And law is an ass! Justice rests with the courts, rather than with the law. Similarly, rating practice is much more important than classification. One of the criticisms, generally levelled against our railways, is that their freight rate structure is rigid, illogical, and unscientific; and the demand that stems therefrom is that it should be made flexible, logical, and scientific. This complaint, like many other complaints emanating from the public, is meaningless, and the only excuse that can be offered is their ignorance of the "art and science" of railway rating. The demand is, in a sense, incongruous. When each railway administration pursued its own individual policy, thereby giving the rating system an element of flexibility, there was a hue and cry that, as the railways belong to the people of India, as they are the property of the country, and as they are ultimately governed by the legislature, uniformity of charges was desirable. The economic term 'rationalisation' was on everybody's lips, but it was forgotten that rationalisation involves an element of rigidity. It postulates inflexibility; it requires uniformity. To that extent, therefore, the demand that the classification should be flexible is inconsistent with the desire that individual railway administrations should not be permitted to follow individual policies.

Logic is an excellent art and to be logical is to be almost perfect. But how many business men would like the railways to be logical in their rating policies? A simple illustration will serve to dispel the aura of sanctity in which the term 'logical rating' is enveloped. Rags are rags; so are cloth cuttings, bamboo chips, waste paper, jute waste, and so forth, yet railways have generally been praised—the exceptional castigation by a Federation only highlights the good work!—for charging all these materials at a lower rate when booked to paper mills than when despatched for other purposes. Better still is the treatment accorded to coal in the classification. It has been uniquely singled out for special treatment—to the delightful discomfiture of all critics save the rival transport agencies which

cannot compete for the traffic. To a logician, such differentiation should be anathema, but to a commercial manager of a railway, this discrimination is a simple matter of sound commercial policy.

Equally assailable is the demand that the classification should be scientific. Whatever else this may mean, it must result in a different classification for every commodity which cannot be grouped with another on the grounds of affinity, common transportation characteristics, equal transit risks, similarity of loadability, and such other factors which are considered in placing commodities under a common head. Such a systematic classification would be impracticable and, in any case, since rating can never be a science, but is an extremely complex art which has to be learned by long experience and even then is not easily assimilable except by persons with an insight for such work, the phrase 'classification should be scientific' is meaningless. It is well to recall here Acworth's famous dictum that "the fixing of railway rates is, in one word, an art and not a science, and it is an art, which, in Bagehot's phrase, must be exercised in a sort of twilight, in an atmosphere of probabilities and doubts, where nothing is clear, where there are some chances for many events, where there is much to be said for several courses, where, nevertheless, one course must be determinedly chosen and fixedly adhered to".

WHY WAGON-LOAD SCALES

The almost common denunciation that the railways have been haphazard in their attitude towards the maximum utilisation of rolling stock capacity—there is, it is averred, very little appreciation of the economies of large-scale movement, or booking in bulk, which is everywhere recognised to be the most economic method of handling traffic—also stems from an incorrect appreciation of the background from which the new rating structure has emerged. It is, however, hardly possible to credit the Government of India with so little sense as not to realise that it is worth while encouraging traders to send their consignments in full wagon loads. And yet only 80 out of the 3,500 commodities, listed in the General Classification of Goods, have been provided with wagon load scales! There must be some reason for this, outside the suspected perversity of Government.

An analysis of the commodities which are given the benefit of wagon-load scales would reveal the reason for such a niggardly concession. Most of these commodities are of such a nature as to be classified in the category of raw materials for manufacturing purposes. Out of the 80, 48 are subject to the ordinary charge at Class I rate; and, obviously, since there is no lower category, a scale to fit in the economies of wagon-load movement was necessary. Another 10 commodities are in Class II. Only chemical manures, Division 'A', which is charged at class V rate, and bamboos and sulphur at class VI rate are, comparatively speaking, high-rated commodities. No one would grudge the concession given to chemical manures nor would trade and industry cavil over the concessions shown to bamboos. Sulphur may be singled out as a peculiarity. But all the suspicion that these are queer anomalies would be wiped out, if it were remembered that the wagon-load scales are, in reality, a substitute for the various schedules that were in effective operation before standardisation was introduced. The wagon-load scale represents not so much an organic evolution of the schedules as an ad hoc adjustment. It is suspected that its introduction was in the nature of a hostage to the enemy. As it is, standardisation involved a levelling up of charges. The total abolition of schedules would have evoked a hue and cry. The wagon-load scale is, therefore, more a concession to sentiment than a child of rationalisation. Railways could easily

have introduced 28 classes, abolished the wagon-load scales, and yet provided an alternative lower classification for movement in wagon loads. Alternatively, in order to satisfy the principle that traffic in wagon-loads is worthy of favourable treatment, the existing classification for such commodities which move generally in bulk, jute, for example, could be made applicable to traffic in wagon-loads and a higher classification introduced for traffic in smalls. In principle, rationalisation would have been achieved; in practice, no change would be effected, as neither the railways nor trade would suffer. Perhaps, in due course, in order to remove the suspicion that the classification is unscientific or is unsuspension to the needs of the trade and industry or betrays an ignorance of transportation economies, it would be an concession can hardly be denied much longer. By a process of evolution, there has been an extended use of a wagon-load classification in other countries; and, in the United States of America, after a great deal of hesitancy, no doubt, the Interstate Commerce Commission has been persuaded to pronounce that denial of a lower classification for a commodity which is offered for carriage in bulk, is unreasonable per se.

REALIGNMENT OF DISTANCE-RANGES

"Not a scientific evolution but an ad hoc adjustment". This is perhaps the correct way of describing the new telescopic rates. After all, the Indian railways were not strangers to the tapering scales which were prevalent on most of the railways in the various schedules that provided an exceptional classification for many commodities. At the time of the revision, two conflicting tendencies were at work: first, the desirability of acceding to the public demand that the Indian railways' freight structure should be placed on a scientific basis, which was equated to a system of telescopic rates; and, secondly, the overwhelming necessity for

railways to safeguard their revenue position which was vital to the economy of the country. It was, therefore, natural that the class rates and the wagon-load scales should have been patterned on the various schedules operating on railways. That would also explain why, while the class rates have uniformity in the distance-range in each leg which is 300 miles, there is such a wide variation in the slabs of the legs of the various wagon-load scales. It is debatable whether such a variation is economically justifiable. What is hardly questionable is that there is ample justice in the complaint of the public that the first distance-range of 300 miles has the effect of nullifying, to a large extent, the benefits that should accrue from a telescopic basis of charge. This complaint is based on the knowledge of the statistical figure of the average length of haul for which a consignment travels on the railways of India, which is well within the range of 300 miles. An average is a dangerous figure; but there is little doubt that the bulk of movements takes place within the first leg of the telescopic scale.

Reform can hardly be deferred very much longer and, since the short distance charge could conveniently be merged in the conveyance charge so that the railways may not unnecessarily suffer loss of revenues, the basis of charge must be enhanced, together with a contraction in the first distance-range of the tapering scale.

If uniformity is desirable, then it would seem appropriate to pitch the first leg or distance-range both for class rates and wagon-load scales at 150 miles. The next leg would, on a proportionate basis, be limited to 250 miles, so that the flat rate would begin to operate for distances of over 400 miles. Obviously, upgrading would be necessary, but the mind of the public would now appear to be attuned to an upward revision—as a sacred tribute to rationalisation!

Peculiarities in Rating Practices

It has often been said, not entirely in a spirit of jocularity, that what the tourist resents in Paris is not the fantastic price he has to pay for his pleasures but the little odds and bits which are added to the bill by way of a local tax or a tip. Likewise by the shipper of goods in India, the various charges which are required to be paid in addition to the ordinary freight rates, have come to be likened to the proverbial last straw that breaks the camel's back. Not all of these complaints are justifiable, and criticism proceeds often from ignorance of the ordinary economic laws which determine ultimately the price of transport as of the other goods and services in the country.

TERMINAL CHARGES

From almost the beginning of the Railways in India, terminal charges have been levied in addition to the transportation charges. Until 1948, there was a fairly noticeable difference in the quantum of such charges payable on the different Railway Administration of India. The rates ranged from one pie to eight pies per maund. On the different railways or on the same railway, there was a difference in the amount payable on commodities chargeable at different Class and Schedule Rates. Standardisation was introduced with the revision of the Tariff in 1948 and the terminal charges have now been fixed at 8 pies per maund at each end when loading and unloading are required to be done by the Railway and at 6 pies per maund at each end when these operations are performed by the owners of the goods. Coal is singled out for a substantial concession, the terminal charge being 8 annas per ton or 3½ pies per maund approximately.

Normally, one would have expected the standardised charges to find ready acceptance with the trading public; but the impost has been assailed on various grounds; firstly, that it is unjustifiable by itself, secondly, that it is on the high side and does not adequately reflect the cost of the services rendered by a Railway, and, lastly, that it is not subject to the jurisdiction of the Railway Rates Tribunal.

Truth must, as usual, lie somewhere in the middle. One could certainly postulate that such miscellaneous charges should not be a source of profit to the Railway Administration, with the corollary which must always be accepted—that it should equally not be an occasion for loss. One could also perhaps reason that if based on strict accounting principles, the charge should vary from place to place and with commodity to commodity. However, it is in the higher interests of the country as a whole that the charges should be standardised on the well-known principle that what is lost on the swings should be gained on the roundabouts.

It is indeed very difficult to arrive at what should be the level of the standard terminal charge; for "terminals" cover a variety of services, each of which is so infinitesimal as not to be susceptible to accounting but all of which in the aggregate must involve the railways in a good deal of additional expenditure. Terminal charges have been defined as "a reasonable fee to cover charges for services incidental to the consignors or duty of a carrier, such as the working charges, repairs, renewals and insurance of station buildings, sidings, sheds, platforms, warehouses, machinery etc., ground rent, loading and unloading, clerkage, weighing and checking of goods, stores, covering, portage and other

labour of every description, shunting, gas and lighting, rates and taxes, risk of damage in loading and unloading, cartage, claims for compensation etc., etc., inclusive of profit".

What a conglomeration of services! How almost impossible to ascertain the all-in costs! Hence, the justification for an ad-hoc charge. "Reasonableness" is the only test to which the figure could be subjected; but "reasonableness" is a vague and imponderable factor which must vary from attitude to attitude, from mind to mind, and from individual to individual.

It is, however, possible to disentangle and distinguish at least some of these terminal operations. Loading and unloading, weighing and checking, marking and labelling—these are distinctive functions; and a price could be fixed on the heads of each of these labour-requiring operations. The purpose of such a break-up of costs is to determine what rebate can be allowed to the shipper when these tasks are not performed by a Railway. At present, a cut of two pies per maund is made when loading and unloading is undertaken by the owners of the goods. It is certain that if the Railway Administration could show such consideration in respect to the other operations covered by the term "terminal services", a good deal of the criticism would be silenced.

It is reasonable also to argue that if in the United States of America, the railway rates have been recognised as covering the full services which the carrier renders, including the terminal services, there is no reason why separate terminal charges should be levied on Indian Railways, if it is possible to merge them appropriately with the conveyance charges. This is a view widely held in commercial circles. But there is a difference between principle and practice. It is easy to formulate a principle; it is sometimes difficult to devise a practice to suit that principle. How are the Railways in India to adjust their conveyance charges so as to include the amount that now accrues to them by way of terminal charges? This is not an easy problem. A rough and ready method would result either in Railways suffering an unnecessary loss of revenue from a source which can be justified as valid in economic theory or in the trading public being called upon to pay more than would be justified by the cost of services. This, however, is not really a serious problem. The largest element in the freight charge is the cost of conveyance. This is based on approximations: it is in the nature of an average, struck not on mathematical principles but on the benevolent considerations of allowing the maximum movement of traffic; it is, in truth, strangely untrue, for it is uniform whether the traffic moves up a ghat or down it, over the broad gauge or the costlier metre-gauge, in a busy season or during a slack period. A meticulous cost basis is, therefore, almost out of place.

The more serious objection is the removal of the standard terminal charge from within the purview of the Railway Rates Tribunal. That this is not due to any peculiar twist of mentality is quite evident. The charge is not susceptible to strict accounting; it cannot face up to the test for reasonableness. Therefore, there can be no appeal to an outside Tribunal. This argument seems unassailable. The Ministry of Railways has at no time attempted to justify the quantum of this charge. The amount has merely come as a legacy of the past and since the break-up in the cost is not possible and the figure is reasonable by the test of usage, it has been accepted as standard.

TRANSHIPMENT CHARGE

Equally unassailable is the levy of the transshipment charge which is in payment of services rendered by the Railways in transferring goods and parcels from

one gauge to another, en route. Viewed from a strictly economic point of view, from the stand-point of logic and even from the angle of equity, there is ample justification for this levy. Unfortunately, if things had been otherwise, this impost would not have been necessary. The decision to build some lines to a metre-gauge track was an unfortunate one. History will assign the blame correctly; what is known is that the Government, aghast at the vast expenditure on Railways which was not bringing in an economic return, perplexed by the poverty of the country, and overwhelmed with acid criticism against extravagance in construction, was compelled to seek a cheaper method of providing India with a network of railway lines. The policy was short-sighted. It has come in for criticism, and justly so. Acworth, in one of his famous statements, characterised it as the fifth wheel of a coach, meant to assist in speed but actually functioning as a drag on progress.

It is, however, no use crying over spilt milk. What is wise is that the milk should be used to feed the cat and that steps should be taken to see that such a mishap does not recur. When an addition to the Railway system is planned, it is necessary that due thought should be devoted to the consideration whether it would be wise to have in India a two-gauge system of Railways or whether the overwhelming advantage of avoiding transshipment should not outweigh considerations of expediency. Elsewhere in the world, countries, which were blessed with a plurality of gauges, have taken bold decisions and standardised their tracks. In India, the existing distribution is 15,832 miles of broad-gauge track, 12,280 miles of metre-gauge lines and 3,314 miles of narrow gauge lines. There is a vast programme of additions to the network in the second Five-Year Plan. It would be a bold step for Government to decide now that either the broad or metre-gauge should be the future gauge of all Railways in the Indian Union; but such a decision will become inevitable, if not tomorrow, then the day-after.

Old sins cast long shadows, it is said, and the economic wastage involved in a break of gauge staggers the imagination. At present, there are 53 transshipment points and a colossal amount of expenditure is involved which could be saved if a standard gauge were introduced. The cost to the country is to be reckoned not only in the amount of wages paid to the transshipping staff, not only in the cost of yards and sidings and transshipping platform and handling equipment, not only in the claims bill which is thus swelled by breakages and losses during these operations, but also in the delay to both broad and metre-gauge wagons and in the necessity for additional rolling-stock which is incumbent upon immobilisation of part of it, at the transshipment points.

As an interim measure, where the track layout permits it, a third-rail could be introduced, as a midway step towards eliminating break-of-gauge. This would enable through running, obviate losses on obsolescence, and provide breathing-space for an ultimate decision, which must, on economic assessment, lead to uniformity on the broad-gauge pattern. Romanticism will, however, suffer. It is said not without a modicum of truth, that a foreigner visits London to see the changing of the Guard, Paris to see the changing of the Government, and India, to see the changing of the gauges! Rationalisation has its price!

SHORT DISTANCE CHARGE

Of all the imposts imposed by the Railways, the "short distance charge" has come in for the greatest amount of criticism. This mainly stems from the inability of any economist to prove to what extent short distance traffic is less remunerative or more costly to the Railways. There can be little doubt, however, that

traffic hauled over a short distance very severely curtails the earning capacity of wagons. Since normally a free period of 12 hours is allowed, six for loading and another six hours for unloading, it should be acceptable, firstly, that there is a non-paying lock-up of twelve hours in idleness, which can be debited to the owner of the goods, plus another minimum period of two hours required at the two ends for placing the wagon in position, which is attributable to the Railways' operational needs; secondly, that since earnings accrue only on the distance over which traffic is carried, the uneconomic zone would extend to round-about 140 miles in the assumption that a goods train normally does 10 miles an hour (14 hours x 10 miles). In other words, unless traffic is hauled for 'over' 140 miles, the idle time would exceed the running time and therefore such traffic would not be remunerative. It is on this account that a levy of short distance charge has been accounted justifiable.

Actually, in India, "short distance" has been defined as a range of operation covering less than 75 miles. On strict economic grounds, there would, therefore, be justification for enhancing the zone of short distance from 75 miles to roughly 150 miles. Or, if the time for loading and unloading operations could be curtailed to 4 hours at each end, a penalty for hauls of less than 100 miles would be inescapable.

Such a proposition would evoke howls of protest from the public who are already chafing under this impost. To be fair, this grievance is not entirely without justification. Historically, when the basis of computation of freight charges was a flat rate varying with

Minimum Weight for Charge

THERE is an old saying that it is wasteful to use an elephant to lift a bundle of grass. The railway system is like an elephant, in its size, in its strength, in its cost of up-keep, and in its capacity for work. And wastefulness in the use of the railway invites its own penalty. The shipper is willing to admit that the main task of the railway is to carry heavy and bulky articles in full wagon loads over great distances. He is even keen to blame the railway when it attempts to safeguard its interests by preventing the skimming of traffic by its competitors, but he is loathe to equating this acceptance of the purpose of the railway system with various penalties for the misuse of the railway system. It is true he will say that a wagon load is economical for the railways, but he cannot see why a minimum weight for charge should be specified. He wholeheartedly agrees that the longer the haul, the cheaper the cost, but he cannot see why a minimum distance for charge should be specified. In other words, while he is willing to accept the precepts of the economics of transport, he is unwilling that they should be translated, by way of rupees, annas and pies, into monetary punishments for their breach or defiance. In a more critical analysis of railway rating, it will doubtless come to be accepted that even a wagon load is not an economic unit nor even a train load by itself; but that the twin factors, namely, a full train load run over the economic distance of travel (which may be from one marshalling yard to another, or from one engine-changing station to another, or from one crew headquarters to another) provide the clue to a correct cost-analysis on railways.

The levy of a charge on a minimum weight per consignment or for a minimum distance of carriage is, therefore, justifiable both in commonsense and in economics. But there has been some criticism about the propriety of fixing a minimum weight for charge on a wagon load of goods. On bulky articles, the railways demand a minimum charge for 120 maunds per four-wheeled broad-gauge wagon and of 80 maunds on a

the mileage, no critic could cavil at the levy of an ad-hoc additional charge on traffic moving over a short distance. With the introduction of the telescopic basis of charge in 1948 in pursuance of the policy of rationalisation, the justification for the levy of an additional short distance charge has been somewhat diminished, if not entirely obliterated. A telescopic system of charge itself postulates a heavier burden on traffic moving within the first leg of the telescopic scale. Hence, this levy has lost its justification and the only legitimate recourse which the Railways might have to take, is to "load" the first leg a little more heavily than at present so as to be compensated for the loss which will devolve on Railways by the abolition of the short distance charge of six pies per maund. The public cannot have it both ways; and it is hardly ever possible to eat one's cake and have it, too!

This analysis of the three imposts points to the need for a reorientation of attitude. In the absence of any justification for the short-distance charge, under a telescopic system of rating, and in the desirability of reducing the area of conflict over the quantum of the transshipment and terminal charges, there is paved the way for the abolition of these levies, qua ad-hoc charges, and for their absorption into the conveyance charge. The great objective of simplification of rate structure would be secured, and the differences between the Indian and other countries' systems of charging would be narrowed. What is more, a fountain head of criticism and complaint would automatically dry up, since the reasonableness of the "weightage" could not come into question.

metre-gauge wagon. This is said to be at variance with the classification. A commodity is classified on various factors, one of which is the load it gives. Cotton is an excellent example, where there are three different classifications, for unpressed cotton, half-pressed cotton, and machine pressed cotton. The commodity is one and the same, yet the variation in classification is justified because of the load that is obtained and therefore, the freight that is earned, both of which vary with the type and manner of packing. But it is argued that it is manifestly unfair to impose another charge, an over-all penalty as it were, on the grounds that the railway will not carry a wagon-load unless a certain minimum weight is paid for, irrespective of whether such a quantity is loaded or not.

There is little doubt that the minimum weight for charge per wagon is a historical legacy; and in a scientific classification, its justification must be scanty indeed. Even greater is the objection against the new minimum charge which was introduced by the revision in the general classification in 1948. This has been called "minimum charge per wagon". This, too, is an over-all charge. In theory, there can be no objection to the Railways holding themselves out to carry traffic, provided a certain minimum revenue is obtained; in practice, so long as this minimum is fixed reasonably low, no legitimate complaint can be voiced.

MINIMUM CHARGES OF RS. 1-12 PER TON FOR TRAFFIC IN WAGON LOADS

Unfortunately, this happy compromise has not featured in the attitude of the public towards the minimum charge of Rs. 1-12 per ton on the carrying capacity of the wagon. This charge was introduced on the ground that short-distance traffic, particularly when the load is light, severely restricts the earning capacity of a wagon. It must be accepted that the free time for loading and unloading and the time required for marshalling, i.e., attaching and detaching, and for placement

into position for loading and unloading, together immobilise a wagon for a period of at least fourteen hours, though the actual figure is as high as twenty-four hours. This means that the time for which such a wagon earns revenue on short-distance traffic is very much restricted, as compared to the time for which it is "immobilised". To compensate for the loss of revenue so caused in the use of wagons for the movement of short-distance traffic, the railways had earlier introduced two charges for such traffic: one, the minimum distance for charge, the other, the additional charge for distance below 75 miles at 6 pies per maund. However, wagon-load movement of light commodities over short-distances presented an exceptional problem, and the Railway Board were of the opinion that in spite of these two additional charges, short-distance traffic did not cover out-of-pocket expenses incurred in the carriage of such traffic. It, therefore, obtained sanction of the Government for the levy of this Minimum Charge.

Great was the resentment against this impost. When representations failed, a test case was filed by the Indian Paper Mills Association, Calcutta, before the Railway Rates Tribunal that the rates for grass etc., when booked as raw materials for paper and straw-board mills were unreasonable for short-distances on account of the levy of the three "minimum" charges, in addition to the prescribed wagon-load scales.

The Tribunal held that the Minimum Charge is not a charged fixed under Section 32 but is a condition of carriage and so if a shipper felt that it was unreasonable, he could appeal to the Tribunal under Section 41(1)(b). It further held, in case of a low-grade commodity which affords a regular traffic in wagon loads, that the levy of a minimum charge per wagon is unjust and unreasonable. The Railway Board, however, went to the Madras High Court in appeal against the decision of the Tribunal, contending that the Tribunal had no jurisdiction over the subject of the 'Minimum Charge'; but the High Court accepted the arguments of the Tribunal and confirmed its decision.

The theoretical case for the levy of such a minimum charge is unexceptionable; nor can the quantum of charge be the bone of contention. It represents the lowest limit of return per wagon, based on out-of-pocket costs. It finds a parallel in the United States of America where a similar minimum charge (\$28.60 per wagon) is prescribed. How then can this impasse be solved? It would be dangerous to make changes in the Indian Railways Act so as to take the subject of the Minimum Charge away from the jurisdiction of the Tribunal. Such an attitude would be highly prejudicial to the dignity of the Tribunal. It would lead to the suspicion that, whenever a decision of the Tribunal goes against the Railways, Government would not hesitate to curtail the jurisdiction of the Tribunal.

By far the best course is to honour the decisions of the Tribunal and the High Court, abolish the charge as a separate toll, and secure an adequate return by enhancing the classification of those commodities, which on account of their vast bulk in relation to weight, provide an uneconomic load for a wagon. This is a scientific device which already obtains on railways all over the world, and the pitching of the basis of rates so as to secure a fair return on the carriage of heavy bulky articles, though an arduous process, would be readily acceptable, since it would have the sanction of the Railway Rates Tribunal.

EMPTY HAULAGE CHARGE ON TANK WAGONS

There is yet another charge which attracts condemnation on account of its peculiarity: an empty haulage charge on tank wagons. On the face of it, it appears strange and unjust that the railways should make a separate charge for empty haulage of wagons to the loading points. It is a duty of the railways to supply wagons, whenever and wherever required. It should also be their endeavour to ensure more or less equal flow of traffic in both directions on their lines so as to prevent empty running; if they fail to do so, they must suffer the consequences of their failure. In fact, this is what the railways in India do for all traffic, except that the practice of making a special charge for empty haulage of wagons obtains on the Southern Railway and that, too, for tank wagons only. The justification for this levy is that the tank wagons are meant for specific use, that is, for transportation of oil only and as they cannot be used to carry any other commodity, more often they have to be hauled back empty to the loading points. This involves both a loss of revenue and an additional cost on the return empty haulage.

The railways could, of course, justify this additional charge on other grounds also. There is little doubt that the traders are benefited in a number of ways by the facilities offered by the use of tank wagons for the transport of oil. Obviously, there is a saving in the cost of packing; also there is a reduction in the expenses of loading and unloading to a great extent. Bank transport is of additional value and traders are able to bear this additional charge and there is, therefore, no reason to abolish it. A "quid pro quo" is in accord with market principles; it is theoretically just and practically sound; it is justifiable in law and acceptable in commonsense. Further, it has been argued that in view of acute shortage of tank wagons, an additional charge is the only way to equate the supply of such wagons to the demand for them and to ensure the satisfaction of the demand of various buyers according to the most objective criterion of the ability to pay the price. It is, however, a little difficult to appreciate this argument. It is the duty of a public utility undertaking, especially when it is owned and managed by the State, to anticipate the demand for its services and to do its best to increase the supply to meet the demand at higher and higher levels. It is true that this will take some time and so during the short period when supply cannot be increased, an additional charge to equate demand to supply has to be accepted. But a public utility undertaking which is owned and managed by the State and enjoys a monopolistic position cannot be regarded as efficient unless it keeps one step ahead of public requirements.

From this analysis, it is clear that there is a strong justification for a charge for empty haulage of tank wagons, based both on the economics of operation and on market principles. The question, however, is whether such a charge (which at present obtains only on the Southern Railway) should be adopted by all other railways in the interests of uniformity. Theoretically such a course is perfectly justified. It may, however, be pointed out that such a charge does not exist in other countries of the world; further, the Railways would secure their purpose by raising the classification of oil in tank wagons. A special charge, and that too justified by the practice on only one railway administration, is bound to invite considerable criticism from the shippers. As against this, the raising of classification for oil in tank wagons, with the sanction of the Rates Tribunal, would ensure adequate revenues for the railways and at the same time, it would absolve the railways from criticism against the suspicion of a levy of unjustifiable additional charges.

The Influence of Risk on Rating

IT is an accepted principle of economics that adequate remuneration must be paid to an agency which renders a service. If such payment is not forthcoming, bankruptcy will force a closure of the activity. Risk-bearing is a service which calls for a high degree of the entrepreneur's skill. Through the experience of a century or so, there have developed various insurance companies that issue a cover against every conceivable kind of risk, against losses by theft and pilferage, by fire, by damage or deterioration, by accidents, even against losses arising out of inclement weather.

In the transportation of commodities, there are risks of losses in transit which have to be borne either by the carrier or by the shipper of goods. In the carriage of some commodities, the risks are great; in others, they are comparatively insignificant. This explains why in all countries, and at all stages of economic development, there have been two sets of rates on railways; in railway parlance, they are known as "Owners' Risk" and "Railway Risk" Rates.

Under the arrangement in force on Indian Railways, the class rates and the wagon-load scales which are standardised and telescopic, are payable on goods booked at railway risk. Alternative lower owners' risk rates are, however, available, for some commodities only. Thus, out of the nearly 3,500 commodities included in the General Classification of goods, only about 750 commodities have been accorded the lower owners' risk rates. This method has little justification, in principle; in practice, however, it has the sanction of usage. The transit risk on some commodities is great; in most, it is almost negligible. What is infinitely more significant, it is incalculable.

The present arrangement, whereby only a few commodities are carried under both risk conditions and most other commodities under only one set of risk, has been held to be, on the face of it, unscientific. Either all the commodities should have the option of being carried both at owners' risk and at railway risk, at the option of the owner of the goods, or in the alternative, there should be only one basis of contract, either at owners' risk or at railway risk.

It is true that for the present state of affairs, perhaps, history can be blamed; but it is obvious that once the railways accept the fact that, under the existing law (Section 72) they are merely bailees and not common carriers' commonsense would suggest that the standard rates and scales should apply at owners' risk, because in fact, the railways are 'not' insurers of goods.

The criticism has also been made that the difference between the two sets of rates varies widely from commodity to commodity, and very many instances are quoted in testimony to this charge. As ought to be realised, this is as it should be; for the extent of damageability must vary not only with the nature and substance of a commodity, but also with the type of packing and such other relevant factors. A fixed percentage variation, as is the practice in Great Britain, seems scientific and reasonable, but is in fact meaningless: all the commodities which, for purposes of classification, have been grouped together in a class, are not susceptible, obviously, to the same degree of risk in transit.

For instance, it has been suggested that since in the case of aluminium ware, Not Otherwise Classified, the difference between the two rates is about 6 per cent, in the case of Sulphuric Acid, the high difference of 21 per cent is absurd! Surely, the risk of breakage and

leakage is much greater, when acid is to be transported. Again, the unfair charge is levelled that sometimes there is a variation in the difference even for the same or related commodities. For example, spirits, wines and cordials when packed in bottles or jars are classified at 14 class Railway Risk and 12 class Owners' Risk, the difference between the two rates being 21 per cent. But spirits, wines and cordials, when not packed in bottles or jars, are classified at 12 class Railway Risk and 10 class Owners' Risk—a difference of only 12 per cent in the two rates. This is condemned as illogical. Surely, barrels are less susceptible to damage than bottles or jars. But this is forgotten.

Besides, the actuarial value of the risk can only be determined with reference to the conditions of operation. For instance, the risk on account of damage by wet is greater in India than elsewhere, because of the heavy monsoons. Then again, there is additional risk of damage and pilferage at transhipping points, a factor foreign to railway companies abroad! Then also, the lack of labour-saving devices, the ignorance of labour, the disregard for elementary packing needs—all these are adverse forces operating in India.

Equally, illogical it is to contend that because various commodities are placed in the same class, the alternative classification should also be identical; to argue thus is to make nonsense of the rule that the difference between Railway Risk and Owners' Risk rates should fully reflect the actuarial quantum of risk borne by the railway or by the shipper.

LIMITED LIABILITY

There is, however, considerable discontent among the shippers in India on account of the allegedly wide difference between the two sets of rates. Strangely, the complaint resolves itself into the condemnation that no real alternative is available to the public. The retort could be made that it is not the railway risk rate that is too high but that it is the owners' risk rate which is too low! Unfortunately, the ground is cut from under the railway administration's feet by the legal limitation on the liability of the Indian Railways for damage caused to goods in transit. Elsewhere in the world, the railways are common carriers; this means that they are insurers of the goods in their charge and that the onus of proving that they are not responsible for loss or damage devolves on them. In India, the liability of railways with respect to goods booked even at railway risk rates, as defined by Section 70 of the Indian Railways Act, 1890, is no more than that of a bailee. This merely enjoins that railways are bound to take only such care of goods delivered to them as a man of ordinary prudence would take of his goods under similar circumstance. A serious burden is thereby thrown on the shipper who is hardly in a position to prove that the railway administration is guilty of gross negligence. Hence the validity of the complaint that the shipper in India hardly enjoys the alternative which commercial practice in other countries provides for his counterpart; even if he chooses to pay the higher rate applicable to goods carried at railway risk, there is a good deal of anxiety over the prospect of compensation, should there occur damage or deterioration or loss.

As if these were not enough to exasperate the shipper, his bitter experience about the acceptance of the claims and their settlement have made him a complete disbeliever in the honesty of the Indian Railways. It has become a sort of a joke that a claim with our railways is as good as a claim with the Devil! It will be settled later on, only in God's good time! Not only

are there delays in settlement of claims but there is a growing sense of resentment that even legitimate claims are disallowed, on grounds which may be legal but are certainly not quite equitable!

The limited responsibility of the railways in law for goods booked at railway risk, and their reluctance, in practice, readily to admit claims and pay compensation, compel the users of railways to book their goods at owners' risk rates, wherever such rates are quoted, to the detriment of the railways which are thus deprived of higher earnings. It has been estimated that more than 80 per cent of the total railway traffic is booked at owners' risk rates. Doubtless, this is an exaggeration but it highlights the lack of actuarial relationship between the two sets of rates.

While, therefore, it is necessary for the railways to assume greater responsibility than at present, it should also be their endeavour to encourage booking of goods at railway risk rates. Towards this end, the difference in the railway risk rate and owners' risk rate should approximate to the actuarial valuation of the risk and, further, the railways should be prompt in admitting liability and in settling claims. It should also not be difficult for the railways to minimise the risk of damage and loss by their own action, by proper supervision, by merciless punishment of misdemeanours on the part of the staff, by elimination of delays in transit, and by careful loading and unloading, etc. As a result, they will be able to reduce their risk rates and bring them in line with what would be fair rates according to the actuarial calculation of the quantum of risk involved. In this way while the users will be encouraged to avail of the railway risk rates, the railways would be enabled to reduce their claims. The effective cost of transport to the country would also be appreciably reduced.

It is indeed lamentable that since 1947, there has been a most shocking increase in the number of claims on the railways. This unfortunate tendency has been noticed in the press and every now and then Mi-

Preventive Measures

ANNOYANCE has emboldened the critic to fling the insult that the Railways in India are in strange ignorance of the old adage that 'prevention is better than cure'. If 'Running Train thefts' and 'pilferage in transit' provide the Railway Administrations with the excuses to repudiate the claims, it is asked why efforts are not being made to prevent such unsocial activity. Moreover, it is alleged that in a majority of cases, railways are not able to prove that the loss was due to decoity for although in the first instance a claim is repudiated on the ground of organised theft, when a suit is filed, the railways not being in a position to establish evidence for the ground of rejection, invariably prefer to settle the claim out of Court.

These are very serious accusations. If true, they constitute a serious indictment of railway managerial skill and prudence. They also strengthen the case for an amendment of the Railways Act and the deletion of that provision of the law which at present enables the railways to plead organised thefts as a defence in a suit for compensation. It is suggested that if armed robberies occur, Railway Administration should improve the efficiency of their Watch and Ward staff and make a more effective use of the Railway Police.

That this is not being done would seem to be confirmed by the report, submitted to the Railway Corruption Enquiry Committee, by the Government Intelligence Bureau. "We are not satisfied", says the Report, "that besides using the Railway Protection Police for escorting trains and patrolling yards, any

nistry of Railways has sought to explain the reasons for this almost unprecedented deterioration in the efficiency of our railways. It is true that after the first World War, a somewhat similar situation had arisen, but it is considered that there was nothing like the increase in the number and in the amount of claims which railways have been required to face during the past decade.

It is also distressing to note that the official explanations for this deterioration do not meet all the arguments which are directed towards exposing the inefficiency of the railways. An increase in traffic will doubtless give scope for an increase in claims; but it has been pointed out that it would be utterly foolish to expect the number of claims to increase proportionately with the increase in traffic. On this account, the heavy compensation payments made by the railways during the past five years have come in for violent criticism; and while during the past two years there seemed to have set in a tendency towards stabilisation at the existing level, there has suddenly been an outburst of claims and it is learnt that on almost all railways, the number of claims preferred by the public has once again shot up to an unprecedented level.

It should be noted that during the pre-war period the claims, paid by railways, amounted to only .05 per cent of their gross earnings, whereas in the post-war years they have amounted to more than 1.0 per cent! The large amount of claims is taken as an indication of the lack of care, efficiency and honesty with which the business of the railways is being conducted. The causes of the loss of, or damage to, the consignments, which give rise to these claims, are many and varied, the most frequent of which are thefts and pilferages, misdespatch, deterioration due to delay in transit, fall in prices, damage due to rough handling, leakage and damage due to wet. An important point to be noted in this connection is that even when the claims have been paid, they do not fully compensate for the inconvenience caused to the customers.

real effort has been made to go deeply into the causes of crime and to devise suitable remedies except in a few small sections...; there are other spheres in which the disease would have responded to external treatment by the police. But this treatment has not been forthcoming both due to lack of proper study and appreciation of the problem and due to certain organic defects in the Railway Police Organisation which have seriously handicapped the work of control of crime".

It is believed that Railways maintain statistics to show which traffic is particularly vulnerable and how losses are caused, whether by theft or misdespatch or delay in transit, etc., etc. These analyses must be a normal feature in every Railway Administration; periodically such statements are made available to members of the various consultative committees. What is the value of these statistics? If the pattern does not show any marked variation, from period to period, then railways can ascertain what type of traffic is vulnerable and to what hazard it is normally exposed, and so take suitable steps to prevent recurrence of such risks. Unfortunately, experience leads one to the inescapable conclusion that "Claims Prevention" has not yet been developed on a scientific basis by our railways. They would do well to devote their attention to this important subject. After all, what a shipper wants from the Railways is not compensation but safe delivery of his goods to his customer and within a reasonable time.

It has already been stated that the responsibility of the Railways is limited even in regard to goods book-

ed at railway risk. By quoting lower Owners' Risk rates, the railways seek further to reduce their liability. It follows therefore that the common basis of contract must resolve itself into the shipper bearing the risk in transit, since according to the law of the land, the railway is not a common carrier and is not an insurer. If, however, the shipper would require the railway to be more than a mere bailee, and to indemnify him against loss or damage or deterioration, then the railways would be entitled to levy a fee which is in the nature of a premium for insurance against these risks of loss, deterioration or damage in transit.

Furthermore, this fee must be related to the actuarial value of the risk against which the railway undertakes to indemnify the shipper. The mere automatic placing of a commodity one class or two classes higher, when it is to be carried at the railway risk, can scarcely be regarded as scientific. In certain cases, the difference will be too small to cover the actual loss in transit, even without the feature of gross negligence or misconduct. In other cases, again, the fee would be too large because for certain commodities, say, stone, gypsum, or ore, the risk of loss or damage is almost infinitesimal, and could be covered by the railways at an absolutely nominal fee.

If the impetus towards some changes in the administration of railways is not to be stifled, one of the many desirable objectives of trade and industry could be achieved by bringing the Indian Railways on par with the railways in other parts of the world. Not a single chamber of trade, no federation of industries, no association of business interests, favours the continuance of Section 72 of the Indian Railways Act, 1890 which limits to a mere responsibility of a bailee the liability of the railway administration for loss, destruction or deterioration of animals or goods. It is an accepted principle in other countries that railways should be common carriers. Thus in England, the railways are defined as common carriers and under the English Carriers Act, 1865, they are liable for loss, damage or non-delivery of goods entrusted to them for carriage. When the traders entrust their consignments to the railways for carriage, the goods are entirely at the mercy of the railways and their staff; and it is but appropriate that the railways should be held responsible for their safe carriage to destination. The trend of legislation in this country has been towards extending the liability of the railways gradually. There is, therefore, a consensus of opinion that a fundamental revision of the law relating to the responsibility of our railways is now overdue.

SOME OBSTACLES

Usually, there are two sides to every question, but in this matter there is a third—and even a fourth! The railways would, no doubt, be willing to undertake the greater responsibility which would devolve on them by a change in the Indian Railways Act; also the shippers would be willing to pay a higher freight charge which would include an insurance fee, since the liability would be transferred from the owner to the carrier. But the problem cannot be solved so easily as that. For there is a lot to be done before the railways can function as common carriers, without detriment to the country. Can the railway organisation be geared to the assumption of such great responsibility, without some radical changes which it may not be possible to make, in the existing financial stringency? It is relevant here to take note of what has been recorded in the Report of the Railway Corruption Enquiry Committee. Says the report: "Some of the additional factors responsible for thefts from goods sheds, stores

and marshalling yards, as given by the administrations, are:

- (i) Location of goods sheds in the heart of cities with no proper and effective fencing or walls.
- (ii) The volume of traffic has increased, but it has not been possible to provide covered and locked shed accommodation to the extent required.
- (iii) Inadequacy of goods shed staff with the result that they neglect their legitimate duties and depend on unauthorised persons for the same.
- (iv) Absence of any effective checks on the movement of labourers and dalals.
- (v) Inadequate lighting arrangements in certain sheds.
- (vi) Difficulty in the check of delivered goods loaded on lorries, thelas, etc., in the sheds.
- (vii) Inadequacy of Watch and Ward supervising staff.
- (viii) Stocking of parcels in hundreds and sometimes thousands of passenger platforms at stations where criminals taking advantage of rush of passengers do away with packages.
- (ix) Insufficiency of supervisory staff.
- (x) Inadequate provision of shed facilities.
- (xi) Absence of elementary security arrangements in the case of a number of marshalling yards.
- (xii) Connivance and negligence on the part of the Watch and Ward staff."

It is obvious that there are serious complications in this issue of a common carrier's liability. A change in the law of the land is not enough. The whole approach must be different; mentalities and attitudes too, must alter. The shipper has his role to play. The policy of the railways which has come in for so much criticism on the grounds that it approximates to the Heads-I-win, Tails-you-lose principle, cannot be replaced by the expedient of making the railway administration "hold the baby", in the dispute over claims. Not a little of the blame for the heavy incidence of claims devolves on the owner of the goods, who seems to take an almost puerile delight in the endless variety and the utter insufficiency of the packing he employs. A visit to a parcels-office or goods shed will be an eye-opener to those who consider themselves entitled to comment on the delinquencies of the railwayman. The Indian shipper would appear to hold out an invitation to disaster; so flimsy, so unsafe, so primitive is the packing he uses. If the railways are to be insurers of goods, then the trader must be prepared to face a heavier bill on his packing, for very stringent packing will be inevitable if protection from some of the avoidable risks is to be afforded to the goods carried by rail.

Even then, the cup-of-joy will not be full. What about the almost decrepit rolling-stock that is pressed into use, beyond its economic age? How to neutralise the tremendous wastage involved in meeting the demands for reweighment, for assessment of damage, and all such formalities? These are in the nature of social costs to the community, and it is debatable whether, in the present climate, with every pice of the spare elusive rupee needed to enlarge transport capacity, such expenditure could be justified. There is no doubt, however, that in the very near future, progress must lead to the acceptance by the railways in India of the liability that devolves on a common carrier and accepted by the railways everywhere else in the world.

The Railway Rates Tribunal

It is a common joke between medical practitioners and criminal advocates that while the mistakes of the lawyers are hung up in the air, the errors of the doctors are buried out of sight. And on that level there used to be an infinitely worse insinuation against the Commercial Departments of Railways, namely, that there was no court where their failures could be exposed.

This was undoubtedly an exaggerated criticism, for there did exist the Railway Rates Advisory Committee, before whom many cases were brought by business interests that were affronted by the decision of railways on rating matters.

The Railway Rates Advisory Committee, as the very name suggests, was a purely advisory committee. Its powers and functions were despairingly limited. It would not entertain a complaint of a shipper directly or independently; a complaint had to go to the Government of India who had full and unfettered discretion either to refer or not to refer the complaint to the Committee. Further, not only was the decision of the Committee not binding on the Government of India, but even the facts elicited by it were challengeable. Little wonder, then, that such a committee could not inspire confidence in the good faith of the Government, even though it could—and did—redress some of the grievances of the shippers.

A great advance was, therefore, made by instituting the Railway Rates Tribunal, under an amendment to the Indian Railways Act of 1870. The Tribunal consists of a President and two other members appointed by the Central Government and its office is at Madras. The members of the Tribunal must be, or have been, judges of a High Court. Since the Tribunal is a judicial body, it is appropriate to insist on judicial qualifications.

The jurisdiction and functions of the Railway Rates Tribunal are defined by Sections 41 and 42 of the Indian Railways Act. Under Section 41, complaints that can be referred to the Tribunal are that a Railway Administration (a) is giving undue or unreasonable preference or advantage in favour of any particular person or a particular description of traffic or is subjecting any particular person or class of traffic to undue or unreasonable prejudice, or (b) is charging station-to-station or wagon-load rates which are unreasonable or (c) is charging rates which are unreasonable owing to a condition attached to them regarding minimum weight, packing, assumption of risk or any other matter, or (d) is levying charges 'other than standardised terminal charges' which are unreasonable or (e) is unreasonably refusing to quote a new station-to-station rate, or (f) has unreasonably placed a commodity in a higher class.

It should be noted that these provisions cover almost all the charges levied by the Railways, with the solitary exception of the terminal charges. Section 42 relates to the powers of the Central Government to alter the rates and to reclassify commodities. Under this Section, if the Central Government desires to reclassify any commodity in a higher class, it must apply to the Tribunal which alone has the power to reclassify a commodity in a higher class. The Central Government, however, has the power to increase or reduce the overall level of class rates, schedule rates or wagon-load scales, terminal and other charges. It can also classify any commodity which has not been classified before. Both the Central Government as well as the Tribunal have power to place a commodity in a lower class. Under these provisions, if the Central Government wishes to raise revenue from traffic, it cannot do

so by raising the rates on particular commodities. The only way in which it can increase freight earnings is by increasing the level of class rates so that all the commodities in a particular class would bear a higher charge.

The provision that the Tribunal alone should have power to reclassify a commodity in a higher class is a salutary one. It necessarily means that if the Tribunal is to be by-passed, the Government will be required to raise the rates 'on all goods', in a particular class. Such a step could not be taken without attracting the notice of the mercantile community, and therefore, the Ministry of Railways would be required to furnish full justification for its demand for a higher classification and the public would be afforded the opportunity to examine the claim of Government and, if necessary, to resist the proposal for the higher classification.

There has been a suggestion that, along with the Tribunal, the Government of India should also be authorised to reclassify a commodity in a higher class. After all, the original classification has been devised by Government; so it should not be required to abdicate its prerogative to alter or amend it, in the light of its knowledge and experience. There is violent opposition to this proposed change in Section 42, and the mercantile community strongly feels that no such change should be made at this stage, for it would only shake the confidence of the public in the bona fides of the Government in setting up the Tribunal. The Tribunal should be the appellate authority where not only the merchants can take their legitimate grievances against the Government but also the Government can bring its own problems for settlement.

There are two or three major respects in which the existing jurisdiction of the Railway Rates Tribunal is circumscribed by the Indian Railways Act, unnecessarily, if not arbitrarily. First, the Tribunal has no power to consider the unreasonableness of the standardised terminal charges. The public find it difficult to appreciate why standardised terminal charges should not be within the jurisdiction of the Tribunal, when the class rates and wagon-load scales (which are also standardised charges) have been rightly covered by Section 41 which defines the nature of complaints that can be referred to the Tribunal. It is conceded that the terminal and other charges generally form a small proportion of the total freight charges. But it is argued that in the transport of bulky raw materials over short distances, these charges constitute by far a major proportion of the total freight. There is, therefore, a considerable body of opinion in favour of the extension of the jurisdiction of the Railway Rates Tribunal so as to cover cases of hardship created by the heavy incidence of terminal charges. But the plea that the Tribunal should have the power to reduce the terminal and other charges and to exempt a commodity from such charges in appropriate cases, would seem entirely to ignore the discretion vested in Railways to reduce and eliminate the short distance charge of six pies per maund.

Secondly, certain traffics are removed from under the jurisdiction of the Tribunal. Section 45 of the Act provides that nothing in this chapter shall confer jurisdiction upon the Tribunal in respect of scales of charges levied by a Railway Administration for the carriage of passengers and their luggage, parcels, military traffic, and traffic in railway materials and stores, and demurrage charges, except on a reference made to the Tribunal by the Central Government.

Another restriction on the jurisdiction of the Tribunal arises from the fact that, while it can entertain complaints of unreasonableness of the various charges, it cannot go into the broader question of the reasonableness of the freight structure as a whole vis-a-vis the development of the economy of the country. It cannot, for instance, initiate investigations in regard to the level of freight rates. Nor can it apply the more general criterion of the needs of the community when recommending revisions in the existing rates.

One useful direction in which the powers of the Tribunal could be increased, with wonderful prospects of gain to the country, is unbiased research into the commercial methods of operation in use over the railways of the world. The Tribunal could obtain and study reports from other countries and suggest improvements which the Railways of India could adopt and indicate practices with which they could legitimately experiment. That is what the Inter-State Commerce Commission of America is believed to do, and with great success.

If, however, the functions of the Railway Rates Tribunal cannot be expanded, it has been suggested that an entirely new Committee should be constituted with representatives of trade and industry which can, from time to time, make recommendations about revisions in freight rates. It is on this anvil that bolder policies can be forged. Here too the iron rigidity of the rating structure can be moulded into the resilience and the flexibility of steel.

The co-existence of a judicial Tribunal and another independent non-judicial advisory or consultative body will not conflict with the ultimate power of control over the budget prescribed by Parliament. The Railway over the budget undertaking, cannot be absolved ways, as a national undertaking, cannot be absolved of the responsibility of quoting rates which do not cause hardship to the trade and industry of the country. Further, it is their duty to adapt the freight structure to the needs of an expanding economy. Whereas Railways would be justified in raising sufficient revenue to cover their working expenses, meet interest charges, provide for depreciation and allocate some surplus to various Reserves, it is doubtful whether they should raise tariff rates with a view to contributing to the general revenues. The existence of independent bodies like the Tribunal and the proposed Advisory Committee would ensure that impartiality and commercial principles are applied to requests for concessions and also that Government do not rely on the profits of Railways for meeting general expenditure.

Another direction in which an improvement could be effected without any diminution in dignity or detracting from judicial validity is an increase in the number of the members of the Tribunal and an extension of its sittings to other major cities, such as Bombay, Calcutta, Delhi and Hyderabad.

Whatever other criticisms may be levelled, fairly or unfairly against the Tribunal, there is little doubt that the system of associating Assessors from Railways on the one hand and from Trade, Industry and Agriculture on the other, is a useful and desirable method of making available to the Tribunal the experience, knowledge and the view points of the various interests. The scope of the panel may be still more widened by the inclusion of those persons who represent neither the railways nor commercial interests, but who have made a theoretical study of Railway Economics and who are acknowledged experts on the subject. In the formation of the panels of Assessors, a democratic outlook should be fostered, and the selection of Assessors should be subject, not to the veto of a Railway Administration, but to the discretion of the Tribunal.

The system of forming panels and choosing assessors from the panels, is an admirable one. But because of the duration of the hearing, which is hardly ever less than three days, important business men cannot make it convenient to attend, even though First Class travel is provided free and a daily allowance of Rs. 50 is granted. It is worth perhaps experimenting with the free issue of air-conditioned class tickets and increasing the daily allowance to Rs. 100 so that the best brains of the country can be harnessed by the Tribunal.

One of the most fantastic complaints, voiced against the Government, relates to its super-efficiency. Strange as it may sound, it has actually been complained—and by no less a body than the Federation of Chambers of Commerce and Industry—that the high costs to the parties arise because the Railways normally engage competent lawyers, thereby compelling the plaintiffs also to employ the services of expensive lawyers! Any stick is good enough to belabour the Government with!

There is an old proverb which says that the proof of the pudding lies in the eating. How has the Railway Rates Tribunal been functioning? Has it gained the confidence of the public? Is its purpose fulfilled? Have its decisions earned acceptance? Between 1950 and 1954, fourteen complaints were referred to the Tribunal and the Central Government had submitted one appeal to it. In addition, there were two writ petitions filed in the Madras High Court against the decisions of the Tribunal.

From a review of the cases decided by the Tribunal, it is possible to draw some general conclusions. Firstly, the Tribunal is a judicial body and so its decisions are binding on the parties to the disputes brought before it. The Railway (Amendment) Act, 1948, which provides for the setting up of the Tribunal, however, has not taken away the right of the parties to appeal to the High Court against the decisions of the Tribunal. This machinery for the settlement of disputes between the railways and the shippers must, therefore, be regarded as eminently satisfactory.

Secondly, a study of the decisions of the Tribunal and of the High Court is sufficient to inspire the confidence of the users of rail transport in the competence and the impartiality of the Tribunal. On the merits of cases before them, the Tribunal have ventured to dismiss the applications of the Government of India and the Railway Board, without the slightest hesitation. Further, in a number of cases where Railways and even the Railway Board had declined to redress the wrongs of the shippers, the Tribunal was bold to grant relief and to remove the long-standing grievances of the merchant-community.

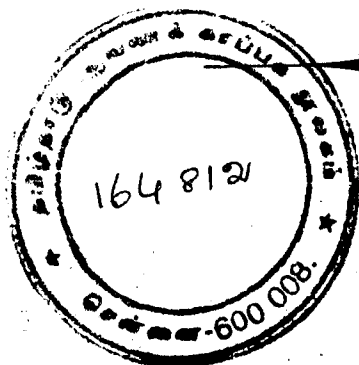
Lastly, it must be recorded, to the credit of the Tribunal, that it has always taken a sympathetic view of the complaints of the shippers. Even where the complaints were dismissed, the Tribunal went out of its way to advise the Railway Administration to consider the requests sympathetically. As an instance, the Tribunal pointed out in the case of North Malabar Chamber of Commerce versus the Southern and the Eastern Railways, that both in England and in the United States of America, in order to encourage traffic in shooks, the railways have accorded a more favourable treatment to this commodity. The freight rate for shooks there is higher than that for timber but is lower than that for plywood planks. In India, however, the rate for plywood planks is relatively low and for shooks is 'strikingly' high. President Lokur, therefore, recommended to the Railways a sympathetic re-consideration of these rates.

Further, the Tribunal has also been sympathetic to the shippers in the matter of award of costs of the proceedings. Whenever there were some plausible grounds for the complaint, the shipper was not saddled with the costs of the proceedings.

CONCLUDING REMARKS

Indeed the Tribunal has earned a glorious name and not infrequently there is edifying reference to the

Biblical event when the Jews, threatened with starvation in the desert, were fed with manna from heaven when they were being delivered from their enemies and led out into the Promised Land. In like manner, the Indian mercantile community have today come to regard the Tribunal as the fountain-head of justice and mercy, from where will come deliverance from the tyranny of a monopolistic monolithic Railway Administration and happy escape to the Promised Land of plenty and prosperity!



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